

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

COACH, INC.

(Exact Name of Registrant as Specified in Its Charter)

MARYLAND
(State or Other Jurisdiction
of Incorporation or Organization)

3171
(Primary Standard
Industrial
Classification Code Number)

52-2242751
(I.R.S. Employer
Identification Number)

COACH, INC.
516 WEST 34(TH) STREET
NEW YORK, NY 10001
(212) 594-1850

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

CAROLE P. SADLER, ESQ.
SENIOR VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY
COACH, INC.
516 WEST 34(TH) STREET
NEW YORK, NY 10001
(212) 594-1850

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code,
of Agent For Service)

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APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after the effective date of this Registration Statement.

If any of the securities being registered on this form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box. / /

If this form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act, check the following box and
list the Securities Act registration statement number of the earlier effective
registration statement number for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. / /

If this form is a post-effective amendment filed pursuant to Rule 462(d)
under the Securities Act, check the following box and list the Securities Act
registration statement number of the earlier effective registration statement
for the same offering. / /

If delivery of the prospectus is expected to be made pursuant to Rule 434,
check the following box. / /

CALCULATION OF REGISTRATION FEE

PROPOSED

TITLE OF EACH CLASS OF
SECURITIES TO BE REGISTERED

MAXIMUM
AGGREGATE
OFFERING PRICE(1)

AMOUNT OF
REGISTRATION FEE

Common Stock, par value \$.01 per share.....	\$140,000,000	\$36,960
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(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(o) of the Securities Act.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

SUBJECT TO COMPLETION. DATED JUNE 16, 2000.

THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

Shares

[LOGO]

Common Stock

This is an initial public offering of shares of common stock of Coach, Inc. All of the shares of common stock are being sold by Coach.

Prior to this offering, there has been no public market for the common stock. It is currently estimated that the initial public offering price per share will be between \$ and \$. Coach intends to list the common stock on the New York Stock Exchange under the symbol "COH."

SEE "RISK FACTORS" ON PAGE 6 TO READ ABOUT FACTORS YOU SHOULD CONSIDER BEFORE BUYING SHARES OF THE COMMON STOCK.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Per Share	Total
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Initial public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to Coach.....	\$	\$

To the extent that the underwriters sell more than shares of common stock, the underwriters have the option to purchase up to an additional shares from Coach at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on , 2000.

GOLDMAN, SACHS & CO.

Prospectus dated , 2000.

PROSPECTUS SUMMARY

YOU SHOULD READ THE FOLLOWING SUMMARY TOGETHER WITH THE MORE DETAILED INFORMATION REGARDING OUR COMPANY AND THE COMMON STOCK BEING SOLD IN THIS OFFERING AND OUR HISTORICAL FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OUR BUSINESS

We are a leading designer, producer and marketer of high-quality, modern, American classic accessories that complement the diverse lifestyles of discerning women and men. Founded in 1941, Coach is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. We believe the prominence of the Coach brand results from the unique combination of our original American attitude and design, our heritage in fine leather products, our superior product quality and durability and our commitment to customer service. Net sales were \$507.8 million for fiscal year 1999 and \$427.2 million for the first 39 weeks of fiscal 2000. Operating income before reorganization costs was \$26.6 million for fiscal year 1999 and \$47.6 million for the first 39 weeks of fiscal 2000.

Our primary product offerings include handbags, men's and women's accessories, business cases, luggage and travel accessories, time management products, leather outerwear, gloves and scarves. Together with our licensing partners, we also offer watches, footwear, furniture and eyewear with the Coach brand name. Our products are sold through a number of direct to consumer channels, including our:

- 106 U.S. retail stores;
- direct mail catalogs;
- e-commerce website, COACH.COM; and
- 63 U.S. factory stores.

Our direct to consumer business will represent approximately 64% of our total sales in fiscal year 2000. Our remaining sales are generated through a number of indirect channels, including:

- approximately 1,400 department stores and specialty retailers in the U.S.;
- approximately 175 international department stores, retail stores and duty free shops in 18 countries; and
- our corporate sales programs.

Our net sales grew at a compound annual growth rate of approximately 32% from \$19.0 million in 1985, when we were acquired by Sara Lee Corporation, to \$540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming a part of Sara Lee. These declines were primarily the result of changes in consumer preferences from leather to mixed material and non-leather products, which some of our competitors offered, and diminished demand for our products due to the economic downturn in Asia. During fiscal years 1997 through 1999, we also experienced reduced profitability.

During this period, we embarked on a fundamental transformation of the Coach brand. We built upon our popular core categories by introducing new products in a broader array of materials and styles and we introduced new product categories. In 1999, we began renovating Coach retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase our new product assortments and reinforce a consistent brand position. Over the last three years, we also have been implementing a flexible, cost-effective sourcing and

manufacturing model that allows us to bring our broader range of products to market more rapidly and efficiently.

Primarily as a result of our repositioning initiatives, our sales increased 9.7% and our operating income before reorganization costs increased 60.8% in the first 39 weeks of fiscal 2000, compared with the same period in 1999.

OUR STRENGTHS

We have developed a number of strengths that we believe create significant competitive advantages. These include:

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;
- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;
- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;
- a well-developed multi-channel presence, allowing us to serve our customers wherever they choose to shop; and
- recognition as a desirable resource for both personal and business gift-giving occasions.

OUR STRATEGIES

Based on our established strengths, we are pursuing the following strategies for future growth:

ACCELERATE NEW PRODUCT DEVELOPMENT. We are accelerating the development of new products, styles and product categories that support our image as a broader lifestyle accessories brand. This strategy includes introducing seasonal variations of successful styles in colors and fabrics that reflect current fashion trends, updating our core collections and launching new collections, product additions, line extensions and product categories ourselves or through arrangements with licensing partners.

MODERNIZE RETAIL PRESENTATION. We are modernizing our brand image by remodeling all Coach retail stores, key international locations and select U.S. department store locations to create a distinctive environment to showcase our new product assortments. Our renovated retail stores have demonstrated significantly higher comparable store sales growth relative to unrenovated stores. We expect that all of our retail stores will reflect the new store design by June 2003. Approximately 80 key international locations will be renovated by June 2001 and approximately 100 leading U.S. department store locations will be renovated by December 2002. We have recently expanded and rebuilt our New York and San Francisco flagship stores in our modern format. We also expect to expand 15 key retail locations over the next three years.

INCREASE U.S. RETAIL STORE OPENINGS. We opened eight new U.S. retail stores in fiscal year 2000. Over the next three years, we plan to expand our network of 106 retail stores by opening approximately 50 new stores located primarily in high volume markets. We believe that we have a successful retail store format that reinforces our brand image, generates stronger sales per square foot and can be readily adapted to different location requirements.

FURTHER PENETRATE INTERNATIONAL MARKETS. We are increasing our international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities. Japanese consumers represent a major growth

opportunity because they spend substantially more on handbags than U.S. consumers on a per capita basis.

IMPROVE OPERATIONAL EFFICIENCIES. We have upgraded and reorganized our manufacturing, distribution and information systems over the past three years to allow us to bring new and existing products to market more efficiently and cost-effectively. In the first 39 weeks of fiscal 2000, our gross margin increased to 59.4% from 55.4% during the same period in fiscal 1999. We intend to continue to increase efficiencies in our operations through initiatives that include streamlining product introduction, implementing a new product development process and timeline, integrating computer-assisted design into the design and development process and expanding our East Asian sourcing capabilities.

PROMOTE GIFT PURCHASES OF OUR PRODUCTS. We are further promoting Coach as an appealing resource for gift-giving occasions by developing new products well-suited for gift selection. In addition, our marketing communication efforts, including advertising, catalog mailings and outbound e-mails, are timed to reach consumers before important holidays throughout the year.

CAPITALIZE ON GROWING INTEREST IN E-COMMERCE. Our on-line store, COACH.COM, has been visited by 1.8 million consumers since its launch in October 1999, and provides another attractive sales channel. We believe we are well-positioned to execute our e-commerce strategy given our 20 years of experience in order fulfillment and remote retailing through our direct mail catalogs.

OUR RELATIONSHIP WITH SARA LEE

We were founded in 1941, and have been owned by Sara Lee Corporation since 1985. After the completion of this offering, Sara Lee will own approximately % of the outstanding shares of our common stock, or approximately % if the underwriters fully exercise their option to purchase additional shares. Sara Lee currently is planning to effect an exchange or other distribution of its shares of our common stock within 18 months of this offering, although the timing of the exchange or other distribution has not been finally determined. Sara Lee is not obligated to complete any exchange or other distribution and we cannot assure you as to whether, when or how it will occur.

Before the completion of this offering, we will enter into agreements with Sara Lee related to the separation of our business operations from those of Sara Lee. Under these agreements, Sara Lee will transfer to us the assets and liabilities which relate to our business, including our allocable portion of Sara Lee indebtedness in the form of a note payable to a Sara Lee subsidiary. The agreements will provide for various interim and ongoing relationships between us and Sara Lee.

The agreements regarding the separation of our business operations from those of Sara Lee are described more fully in the section entitled "Arrangements Between Sara Lee and Coach" included elsewhere in this prospectus. The terms of agreements are being negotiated in the context of a parent-subsiary relationship and may be more or less favorable to us than if they had been negotiated with unaffiliated third parties. The assets and liabilities to be transferred to us are described more fully in our financial statements and notes to those statements that are also included elsewhere in this prospectus.

THE OFFERING

Common stock offered..... shares
Common stock to be outstanding immediately after this offering..... shares
Common stock to be held by Sara Lee immediately after this offering..... shares
Use of proceeds..... The estimated net proceeds from this offering of approximately \$ million will be used to repay a portion of the note payable to a subsidiary of Sara Lee to be assumed by us in connection with our separation from Sara Lee.
Proposed New York Stock Exchange symbol..... COH

This information is based on shares outstanding immediately prior to this offering, all of which are owned by Sara Lee. Unless we specifically state otherwise, the information in this prospectus does not take into account the issuance of up to shares of common stock that the underwriters have the option to purchase from us. If the underwriters fully exercise their option to purchase additional shares, shares of common stock will be outstanding after this offering and Sara Lee will hold of those shares.

The number of shares of our common stock to be outstanding immediately after the offering does not take into account approximately shares of our common stock reserved for issuance under our stock plans. At the time of the offering, we intend to grant options to purchase up to approximately shares of our common stock at the offering price to some of our directors, officers and employees. In addition to the common stock reserved for issuance under our stock plans, we intend to offer to selected executive employees options to purchase up to an aggregate of shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock.

We incorporated in Maryland on June 1, 2000 as Coach, Inc. Our executive offices are located at 516 West 34(th) Street, New York, New York 10001; our telephone number is (212) 594-1850 and our facsimile number is (212) 594-1682. We also maintain an Internet site at WWW.COACH.COM. Our website and the information contained on or connected to our website are not part of this prospectus or the registration statement of which this prospectus forms a part.

In this prospectus, "Coach," "we," "us," and "our" each refers to Coach and not to the underwriters or Sara Lee. "Sara Lee" refers to Sara Lee and its subsidiaries, not including Coach. Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 is a 53-week year, while fiscal years 1995, 1996, 1997, 1998 and 2000 are 52-week years.

COACH, COACH AND LOZENGE design, COACH AND TAG design, "C" SIGNATURE FABRIC design and other trademarks of Coach appearing in this prospectus are the property of Coach.

SUMMARY FINANCIAL DATA

The following tables present our summary financial data. The data presented in these tables are from "Selected Financial Data" and our historical financial statements and notes to those statements included elsewhere in this prospectus. You should read those sections and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a further explanation of the financial data summarized here. The historical financial information may not be indicative of our future performance and may not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

	FISCAL YEAR ENDED					39 WEEKS ENDED	
	JULY 1, 1995 (UNAUDITED)	JUNE 29, 1996 (UNAUDITED)	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)							
CONSOLIDATED AND COMBINED							
STATEMENT OF INCOME DATA:							
Net sales.....	\$395,021	\$512,645	\$540,366	\$522,220	\$507,781	\$ 389,502	\$ 427,232
Gross profit.....	235,696	300,668	313,280	286,708	281,591	215,691	254,033
Selling, general and administrative expenses.....	178,221	238,621	269,011	261,695	255,008	186,071	206,399
Reorganization costs.....	--	--	--	--	7,108	7,108	--
Operating income.....	57,475	62,047	44,269	25,013	19,475	22,512	47,634
Net income.....	36,969	42,860	32,037	20,663	16,715	19,238	32,169
Pro forma as adjusted net income (1).....							
Net income per share--basic.....							
--diluted.....							
Unaudited pro forma as adjusted net income per share--basic.....							
--diluted.....							
Shares used in computing unaudited pro forma as adjusted net income per share--basic.....							
--diluted.....							

APRIL 1, 2000	
ACTUAL (UNAUDITED)	PRO FORMA AS ADJUSTED(1) (UNAUDITED)
(DOLLARS IN THOUSANDS)	

CONSOLIDATED AND COMBINED BALANCE SHEET DATA:	
Working capital.....	\$ 46,387
Inventory.....	100,642
Receivable from Sara Lee (2).....	89,537
Total assets.....	326,715
Stockholder's net investment.....	235,496

(1) Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of June 28, 1998:

- our assumption, prior to the offering, of \$190 million of indebtedness to a subsidiary of Sara Lee and the resulting reduction in Sara Lee's equity;
- capitalization of the receivable from Sara Lee in the amount of \$89.5 million into Sara Lee's equity;
- our sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share and after deducting an assumed underwriting discount and estimated offering expenses payable by us;
- use of the offering proceeds to repay a portion of the \$190 million in indebtedness and reflection of interest expense on the unpaid balance of the indebtedness of \$ at an assumed market interest rate of %, resulting in interest expense of \$ in fiscal 1999 and \$ for the 39 weeks ended April 1, 2000; and
- the difference in estimated costs for the services to be provided by Sara Lee under the master transitional services agreement, at a cost of \$1 million per year, from the costs historically allocated to us for these services, resulting in a net \$60 expense in fiscal 1999 and \$92 in the 39 weeks ended April 1, 2000.

Upon Sara Lee's exchange or other distribution of our common stock, we will no longer be permitted to participate in Sara Lee's benefit plans, insurance plans and working capital funding arrangements. We may face increased costs

for these and other items, such as store leases, following this offering. At this time, we cannot estimate the amount or timing of these increased costs and, accordingly, we have not included this amount in the pro forma as adjusted amounts.

- (2) Coach and Sara Lee expect that prior to the offering, the balance on the receivable from Sara Lee will be capitalized into Sara Lee's investment in Coach. No cash will be paid or collected by either party.

RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW AND OTHER INFORMATION IN THIS PROSPECTUS BEFORE INVESTING IN OUR COMMON STOCK.

RISKS RELATED TO OUR BUSINESS

WE MAY NOT BE ABLE TO GROW OUR BUSINESS AS PLANNED OR MANAGE OUR GROWTH EFFECTIVELY.

Our future operating results will depend on our ability to implement our growth strategies and successfully manage a larger business. In fiscal years 1998 and 1999, we experienced a decline in sales as compared to prior years, of 3.4% and 2.8%, respectively. In fiscal years 1997 through 1999, we also experienced reduced profitability. In response to these declines, we implemented a number of strategic initiatives to increase demand for our products and recently we have accelerated these initiatives. The success of each of these initiatives, alone or collectively, will depend on various factors, including the appeal of our new designs, products and retail presentation to consumers, competitive conditions and domestic and international economic conditions. If we are unsuccessful at implementing some or all of our strategies or initiatives, our future operating results may be adversely affected.

Successful implementation of our strategies and initiatives will require us to manage our growth. To manage our growth effectively, we will need to continue to increase production while maintaining strict quality control and continue to improve our operating systems to respond to increased demand. We could suffer a loss of consumer goodwill and a decline in sales if our products do not continue to meet our quality control standards or if we are unable to adequately respond to increases in consumer demand for our products.

OUR INABILITY TO RESPOND TO CHANGES IN CONSUMER DEMANDS AND FASHION TRENDS IN A TIMELY MANNER COULD ADVERSELY AFFECT OUR SALES.

Our success depends on our ability to identify, originate and define product and fashion trends as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure you that we will be able to continue to develop appealing styles or meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. In addition, because we place orders for products with our manufacturers before we receive our wholesale customers' orders, we could experience higher excess inventories if our wholesale customers order fewer products than we anticipated.

COMPETITION IN THE MARKETS IN WHICH WE COMPETE IS INTENSE AND OUR COMPETITORS MAY DEVELOP PRODUCTS MORE POPULAR WITH CONSUMERS.

We face intense competition in the product lines and markets in which we compete. Our products compete with other branded products within their product category and with private label products sold by retailers, including some of our wholesale customers. In our wholesale business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of these products to the consumer. Moreover, the general availability of contract manufacturing capacity allows new entrants easy access to the markets in which we compete, which may increase the number of our competitors and adversely affect our competitive position and our business. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than we have.

A DOWNTURN IN THE ECONOMY MAY AFFECT CONSUMER PURCHASES OF DISCRETIONARY ITEMS, WHICH COULD ADVERSELY AFFECT OUR SALES.

Many factors affect the level of consumer spending in the handbag and accessories industry, including, among others, general business conditions, interest rates, the availability of consumer credit, taxation and consumer confidence in future economic conditions. Consumer purchases of discretionary items, such as our products, tend to decline during recessionary periods when disposable income is lower. A downturn in the economies in which we sell our products, such as the economic downturn in Asia in 1997, may adversely affect our sales.

IF WE LOSE KEY MANAGEMENT OR DESIGN PERSONNEL OR ARE UNABLE TO ATTRACT AND RETAIN THE TALENT REQUIRED FOR OUR BUSINESS, OUR OPERATING RESULTS COULD SUFFER.

Our performance depends largely on the efforts and abilities of our senior management and design teams. These executives and employees have substantial experience and expertise in our business and have made significant contributions to our growth and success. We do not have employment agreements with any of our executives or design personnel. The unexpected loss of services of one or more of these individuals could have an adverse effect on our business. As our business grows, we will need to attract and retain additional qualified personnel and develop, train and manage an increasing number of management-level, sales and other employees. We cannot assure you that we will be able to attract and retain personnel as needed in the future.

OUR OPERATING RESULTS ARE SUBJECT TO SEASONAL AND QUARTERLY FLUCTUATIONS, WHICH COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR COMMON STOCK.

Because our products are frequently given as gifts, we have experienced, and expect to continue to experience, substantial seasonal fluctuations in our sales and operating results. Over the past three fiscal years, between 34% and 36% of our annual sales were recognized in our second fiscal quarter, which includes the holiday months of November and December. Over the past three fiscal years, sales in each of the first, third and fourth quarters represented between 20% and 23% of our annual sales. Our higher sales in the second quarter typically generate a substantial portion of our operating income for the year. In anticipation of increased sales activity during the second quarter, we incur significant additional expenses, including higher inventory costs. If, for any reason, we miscalculate the demand for our products during November and December, we could have significant excess inventory, which would have an adverse effect on our financial performance. In addition, because a substantial portion of our operating income is derived from our second quarter sales, a significant shortfall in expected second quarter sales could have an adverse impact on our annual operating results. We have sometimes experienced and may continue to experience net losses in any of our first, third or fourth fiscal quarters.

Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things:

- the timing of new store openings;
- net sales and profits contributed by new stores;
- increases or decreases in comparable store sales;
- shifts in the timing of holidays;
- changes in our merchandise mix; and
- the timing of new catalog releases and new product introductions.

As a result of these seasonal and quarterly fluctuations, we believe that comparisons of our sales and operating results between different quarters within a single fiscal year are not necessarily meaningful and that these comparisons cannot be relied upon as indicators of our future performance. Any seasonal or quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the trading price of our common stock to fluctuate significantly.

OUR INTERNATIONAL PRODUCT SOURCING AND SALES EFFORTS MAY BE SUBJECT TO ADVERSE INTERNATIONAL EVENTS THAT ARE BEYOND OUR CONTROL.

Approximately 65% of our fiscal year 2000 non-licensed product needs, measured as a percentage of total units produced, will be supplied by over 24 independent non-U.S. manufacturers in countries such as China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. Independent manufacturers in China will account for 24% of our product needs for fiscal year 2000. Our international sourcing is subject to many risks, including foreign governmental regulations, political unrest, disruptions or delays in shipments, changes in local economic conditions and trade issues. These factors, among others, could influence the ability of our independent manufacturers to make or export our products cost-effectively or at all or to procure some of the materials used in our products. The violation of labor or other laws by any of our independent manufacturers, or the divergence of an independent manufacturer's labor practices from those generally accepted as ethical by us or others in the U.S., could force us to locate alternative manufacturing sources. Currency exchange rate fluctuations could also make raw materials more expensive for our independent manufacturers, and they could pass these increased costs along to us, resulting in higher costs and decreased margins for our products. If any of these factors were to render a particular country undesirable or impractical as a source of supply, there could be an adverse effect on our business.

Approximately 10% of our fiscal year 2000 sales will be generated through international channels and we plan to increase our international sales efforts. International sales are subject to many risks, including foreign governmental regulations, foreign consumer preferences, political unrest, disruptions or delays in shipments to other nations and changes in local economic conditions. These factors, among others, could influence our ability to sell products successfully in international markets. We generally purchase raw materials and our outsourced products in U.S. dollars and sell our products in the U.S. and to our international wholesale customers in U.S. dollars. However, our international wholesale customers sell our products in the relevant local currencies, and currency exchange rate fluctuations could adversely affect the retail prices of our products and result in decreased international consumer demand.

OUR TRADEMARKS AND OTHER PROPRIETARY RIGHTS MAY BE INFRINGED BY OTHERS.

We believe that our registered and common law trademarks and design patents have significant value and are important to our ability to create and sustain demand for our products. Although we have not been inhibited from selling our products in connection with trademark, patent or trade dress disputes, we cannot assure you that obstacles will not arise as we expand our product line and the geographic scope of our marketing. We also cannot assure you that the actions taken by us to establish and protect our trademarks and other proprietary rights will be adequate to prevent imitation of our products or infringement of our trademarks and proprietary rights by others. The laws of some foreign countries may not protect proprietary rights to the same extent as do the laws of the U.S. and it may be more difficult for us to successfully challenge the use of our proprietary rights by other parties in these countries.

RISKS RELATED TO OUR RELATIONSHIP WITH SARA LEE

WE WILL BE CONTROLLED BY SARA LEE AS LONG AS IT OWNS A MAJORITY OF OUR COMMON STOCK, WHICH MAY LEAD TO CONFLICTS OF INTEREST.

After the completion of this offering, Sara Lee will own approximately % of the outstanding shares of our common stock, or approximately % if the underwriters fully exercise their option to purchase additional shares. Investors in this offering will not be able to affect the outcome of any stockholder vote at least for so long as Sara Lee owns a majority of our outstanding common stock. As a result, Sara Lee will control all matters affecting us, including:

- the composition of our board of directors and, through it, any determination with respect to our business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;
- our acquisition or disposition of assets;
- our financing;
- changes to the agreements providing for our separation from Sara Lee;
- the payment of dividends on our common stock; and
- determinations with respect to our tax returns.

If Sara Lee were to sell a controlling interest in Coach to a third party, such third party would be under no obligation to dispose of its controlling interest.

Conflicts of interest may arise between Sara Lee and us in a number of areas relating to our past and ongoing relationships as a result of our separation from Sara Lee and Sara Lee's continued controlling interest in us. These may include the nature and quality of services rendered by Sara Lee to us, tax and employee benefit matters, indemnification obligations, insurance matters, sales or distributions by Sara Lee of all or any portion of its ownership interest in us and Sara Lee's ability to control our management and affairs. We may not be able to resolve any potential conflicts, and even if we do, the resolution may be less favorable than if we were dealing with an unaffiliated party.

SARA LEE MAY LATER DECIDE NOT TO COMPLETE AN EXCHANGE OR OTHER DISTRIBUTION OF OUR COMMON STOCK, WHICH COULD HAVE AN ADVERSE EFFECT UPON THE MARKET FOR OUR COMMON STOCK AND CONSTRAIN OUR ABILITY TO ISSUE ADDITIONAL EQUITY SECURITIES.

Sara Lee currently is planning to effect an exchange or other distribution of its shares of our common stock within 18 months of this offering, although no specific timetable has been finally determined. Sara Lee is not obligated to complete any exchange or other distribution of our common stock and it may not occur. Until Sara Lee consummates an exchange or other distribution of our common stock, the liquidity of our shares in the market may be constrained. Because of the limited liquidity of our stock, relatively small trades of our stock may have a disproportionate effect on our stock price. After the 180-day period following this offering, which may be waived by the underwriters, there are no contractual limitations on sales of our common stock by Sara Lee. The sale or potential sale by Sara Lee of our stock could adversely affect the market price of our stock.

Sara Lee must own 80% or more of our common stock to continue to consolidate our business with its other businesses for tax purposes and to preserve the tax-free status of any exchange or other distribution of its remaining shares of our common stock. As a result, Sara Lee may prevent us from issuing additional equity securities for purposes such as providing management incentives or raising capital unless and until an exchange or other distribution occurs.

OUR HISTORICAL FINANCIAL INFORMATION MAY NOT BE REPRESENTATIVE OF OUR RESULTS AS A SEPARATE COMPANY.

Our financial statements have been created from the financial statements of Sara Lee using the historical results of operations and historical bases of the assets and liabilities of the Coach division that we comprised. Accordingly, the historical financial information we have included in this prospectus does not necessarily reflect what our financial position, results of operations and cash flows would have been had we been a separate, stand-alone entity during the periods presented. Sara Lee did not account for us, and we were not operated, as a separate, stand-alone entity for the periods presented. The historical financial information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future and does not reflect many significant changes that will occur in the capital structure, funding and operations of Coach as a result of our separation from Sara Lee. For example, we may face increased costs for store leases, insurance, employee benefits and financing as a stand-alone entity.

ALL OF THE NET PROCEEDS OF THIS OFFERING WILL BE USED TO REPAY INDEBTEDNESS OWED TO A SARA LEE SUBSIDIARY.

We intend to use all of the net proceeds from this offering to repay a portion of indebtedness payable to a subsidiary of Sara Lee. We are assuming the indebtedness in connection with our separation from Sara Lee. As a result, the net proceeds from this offering will not be available for our business needs, such as funding working capital or the expansion of our operations.

RISKS RELATED TO THE SECURITIES MARKETS AND OWNERSHIP OF OUR COMMON STOCK

OUR SECURITIES HAVE NO PRIOR MARKET, AND WE CANNOT ASSURE YOU THAT OUR STOCK PRICE WILL NOT DECLINE AFTER THE OFFERING.

Before this offering, there has not been a public market for our common stock, and an active public market for our common stock may not develop or be sustained after this offering. The market price of our common stock could be subject to significant fluctuations after this offering. Among the factors that could affect our stock price are:

- quarterly variations in our operating results;
- changes in sales or earnings estimates or the publication of research reports by analysts;
- speculation in the press or the investment community;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- actions by institutional stockholders or by Sara Lee prior to its exchange or other distribution of our stock;
- general market conditions; and
- domestic and international economic factors unrelated to our business actions.

In particular, we cannot assure you that you will be able to resell our shares at or above the initial public offering price. The initial public offering price will be determined by negotiations between the representatives of the underwriters and us.

PROVISIONS IN OUR CHARTER AND BYLAWS AND MARYLAND LAW MAY DELAY OR PREVENT AN ACQUISITION OF US BY A THIRD PARTY.

Our charter and bylaws and Maryland law contain provisions that could make it harder for a third party to acquire us without the consent of our board of directors. These provisions have little

significance while we are controlled by Sara Lee, but could have considerable significance in the future. Our charter authorizes us to issue additional authorized but unissued shares of common stock or preferred stock and permits our board of directors, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have the authority to issue. In addition, our board of directors may classify or reclassify any unissued shares of common stock or preferred stock and may set the preferences, rights and other terms of the classified or reclassified shares. Although our board of directors has no intention to do so at the present time, it could establish a series of preferred stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

Our bylaws can only be amended by our board of directors. Our bylaws also provide that nominations of persons for election to our board of directors and the proposal of business to be considered at a stockholder meeting may be made only in the notice of the meeting, by our board of directors or by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures of our bylaws. So long as Sara Lee or its affiliates own a majority of our outstanding common stock, Sara Lee is not required to comply with these advance notice requirements. Also, under Maryland law, business combinations, including issuances of equity securities, between us and any person who beneficially owns 10% or more of our common stock or an affiliate of such person are prohibited for a five year period unless exempted by the statute. After this period, a combination of this type must be approved by two super-majority stockholder votes, unless some conditions are met or the business combination is exempted by our board of directors. Our board has exempted any business combination with Sara Lee or any of its affiliates from these five year prohibition and super-majority vote requirements.

These and other provisions of Maryland law or our charter and bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders.

PURCHASERS IN THIS OFFERING WILL EXPERIENCE IMMEDIATE DILUTION IN NET TANGIBLE BOOK VALUE PER SHARE.

Purchasers of our common stock in this offering will experience immediate dilution of \$ in net tangible book value per share.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

You should not rely on forward-looking statements in this prospectus. This prospectus contains forward-looking statements that involve risks and uncertainties. We use words such as "anticipates," "believes," "plans," "expects," "future," "intends," "may," "will," "should," "estimates," "predicts," "potential," "continue" and similar expressions to identify these forward-looking statements. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed in the sections in this prospectus entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other sections of this prospectus.

This prospectus also contains forward-looking statements attributed to third-parties relating to their estimates regarding the growth of our market. These market data projections are based on a number of assumptions. If these assumptions turn out to be incorrect, actual results may differ from the projections based on these assumptions. As a result, our market may not grow at the rate projected by these data projections, or at all. The failure of our market to grow at the projected rate may have a material adverse effect on our business, results of operations and financial condition and the market price of our common stock.

OVERVIEW

On May 30, 2000, Sara Lee announced a plan to narrow its focus on a smaller number of global branded consumer packaged goods segments by, among other things, initiating plans to dispose of some of its businesses. The plan includes the initial public offering of up to 19.9% of our common stock, to be followed by an exchange or other distribution of our common stock by Sara Lee. We expect that the separation of our business from Sara Lee, including the transfer of related assets and liabilities, will be substantially accomplished before the completion of this offering. Until the completion of this offering, we will be a wholly-owned subsidiary of Sara Lee.

BENEFITS OF THE SEPARATION

We believe that we will realize benefits from our separation from Sara Lee, including the following:

GREATER STRATEGIC FOCUS. We expect to have a sharper focus on our business and strategic opportunities for growth as a result of having our own board of directors which will concentrate on our business.

INCREASED SPEED AND RESPONSIVENESS. As a company smaller in size than Sara Lee, we expect to be able to make decisions more quickly, deploy resources more rapidly and efficiently and operate with more agility than we could as a part of a larger organization. In addition, we expect to increase our responsiveness to customers and others.

BETTER INCENTIVES FOR EXECUTIVES AND EMPLOYEES. We expect that the motivation of our executives and employees and the focus of our management will be strengthened by the addition of incentive compensation programs tied to the market performance of our common stock. The separation will enable us to offer our employees compensation directly linked to our performance, which we expect will enhance our ability to attract and retain qualified personnel.

SEPARATION AND TRANSITIONAL ARRANGEMENTS

We will enter into agreements with Sara Lee providing for the separation of our business from Sara Lee, including a master separation agreement. These agreements will provide for, among other things, the transfer from Sara Lee to us of assets and the assumption by us of liabilities relating to our business and various interim and ongoing relationships between us and Sara Lee.

THE EXCHANGE OR OTHER DISTRIBUTION BY SARA LEE OF OUR COMMON STOCK

After completion of this offering, Sara Lee will own approximately % of the outstanding shares of our common stock, or approximately % if the underwriters fully exercise their option to purchase additional shares from us. Sara Lee currently is planning to effect an exchange or other distribution of its shares of our common stock within 18 months of this offering, although the timing of the exchange or other distribution has not yet been finally determined. Sara Lee is not obligated to complete any exchange or other distribution, and we cannot assure you as to whether, when or how it will occur. Sara Lee, in its sole and absolute discretion, will determine the date of any exchange or other distribution and its timing, terms and conditions. Sara Lee's decision whether to proceed with any exchange or other distribution is subject to legal considerations, including the taxable or tax-free nature of the exchange or other distribution, future market conditions and other circumstances that may cause Sara Lee's board of directors to conclude that an exchange or other distribution would not be in the interests of Sara Lee's stockholders. We have agreed to take all action reasonably requested by Sara Lee to facilitate the exchange or other distribution.

USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately \$ million, based on an assumed initial public offering price of \$ per share and after deducting an assumed underwriting discount and the estimated offering expenses payable by us. We intend to use the proceeds of this offering to repay a portion of an intercompany note payable to a subsidiary of Sara Lee. We are assuming the note in connection with our separation from Sara Lee. The note represents our allocable portion of indebtedness of Sara Lee. The note will have an initial aggregate principal amount of \$190 million and will have a final maturity of June 30, 2002. The note will be subject to mandatory prepayment out of our excess cash flow after payment of all amounts outstanding under our revolving credit facility with Sara Lee. The note will bear interest at a rate based on one month LIBOR plus 30 basis points, for as long as Sara Lee owns a majority of our outstanding stock, and one month LIBOR plus 250 basis points thereafter.

DIVIDEND POLICY

We currently intend to retain any future earnings to fund the development and growth of our business. Therefore, we do not anticipate paying any cash dividends in the foreseeable future.

Under Maryland law, our board of directors decides whether and when to declare dividends. The declaration of future dividends, if any, will depend upon various factors, including our net income, current and anticipated cash needs and any other factors deemed relevant by our board. As long as Sara Lee owns a majority of our outstanding common stock, it will control the composition of our board of directors and thereby control decisions regarding our payment of dividends.

We are prohibited from paying any dividends on our capital stock as long as our revolving credit facility with Sara Lee is outstanding. Any subsequent revolving credit facility with another party may contain similar restrictions.

CAPITALIZATION

The following table sets forth our capitalization as of April 1, 2000. Our capitalization is presented:

- on an actual basis;
- on a pro forma basis to reflect the transactions related to our separation from Sara Lee; and
- on a pro forma as adjusted basis to reflect our receipt of the estimated net proceeds from our sale of shares of common stock in this offering and the payment of a portion of the indebtedness payable to a subsidiary of Sara Lee which will be assumed by us in connection with our separation from Sara Lee.

You should read the information set forth below together with "Selected Financial Data," our historical financial statements and the notes to those statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	APRIL 1, 2000		
	ACTUAL (UNAUDITED)	PRO FORMA (UNAUDITED)	PRO FORMA AS ADJUSTED (UNAUDITED)
	(IN THOUSANDS)		
Receivable from Sara Lee(1).....	\$(89,537)	\$	\$
Payable to a Sara Lee subsidiary(2).....	--		
Other debt.....	4,002		
Total debt.....	4,002		
Common stockholder's net investment			
Preferred stock: (authorized 25,000,000 shares; \$.01 par value) None issued.....	--		
Common stock: (authorized 100,000,000 shares; \$.01 par value) 1,000 shares issued and outstanding, on an actual basis; shares issued and outstanding, on a pro forma basis; shares issued and outstanding, on a pro forma as adjusted basis.....	--		
Capital surplus.....	--		
Sara Lee Corporation equity.....	236,135		
Accumulated other comprehensive loss.....	(639)		
Total equity.....	235,496		
Total capitalization.....	149,961	=====	=====

(1) The receivable from Sara Lee will be capitalized into Sara Lee's investment prior to the offering.

(2) We intend to use all of the estimated net proceeds of this offering to repay \$ in principal of an intercompany note payable to a subsidiary of Sara Lee. \$ aggregate principal amount will remain outstanding under the note after our payment.

DILUTION

Our net tangible book value at April 1, 2000 was approximately \$ million, or \$ per share. Pro forma net tangible book value per share is determined by dividing our pro forma tangible net worth, which is total tangible assets less total liabilities by the number of shares of common stock outstanding immediately before this offering. Dilution in pro forma net tangible book value per share represents the difference between the amount per share paid by purchasers of shares of our common stock in this offering and the pro forma net tangible book value per share of our common stock immediately afterwards. After giving effect to our sale of shares of common stock in this offering at an assumed initial public offering price of \$ per share and after deducting the underwriting discount and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value at April 1, 2000 would have been approximately \$ million, or \$ per share. This represents an immediate increase in pro forma net tangible book value of \$ per share to our existing stockholder and an immediate dilution in pro forma net tangible book value of \$ per share to new investors purchasing shares of common stock in this offering.

The following table illustrates the per share dilution:

Assumed initial public offering price per share.....	\$
Pro forma net tangible book value per share as of April 1, 2000.....	\$
Increase in pro forma book value per share attributable to new investors.....	-----
Pro forma, as adjusted, net tangible book value per share after this offering.....	-----
Dilution in pro forma net tangible book value per share to new investors.....	\$ =====

The discussion and table above assume no exercise of options outstanding under our stock plans and no issuance of shares reserved for future issuance under our stock plans. Approximately shares of our common stock are reserved for issuance under our stock plans. At the time of this offering, we intend to grant options to purchase up to approximately shares of our common stock at the offering price to some of our directors, officers and employees. In addition to the common stock reserved for issuance under our stock plans, we intend to offer to selected executive employees up to an aggregate of shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase Sara Lee common stock. To the extent that any options to purchase our common stock are granted and exercised, there will be further dilution to new investors.

The following table sets forth, as of April 1, 2000 on the pro forma as adjusted basis described above, the differences between the number of shares of common stock purchased from us, the total price paid and average price per share paid by our existing stockholder and by the new investors in this offering at an assumed initial public offering price of \$ per share, before deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENTAGE	AMOUNT	PERCENTAGE	
Existing stockholder.....		%	\$ --	--%	\$ --
New investors.....					
Total.....	=====	100.0%	\$ =====	100.0%	

Nominal cash was paid by Sara Lee in consideration for our common stock. Accordingly, the cash consideration related to the existing stockholder is reported as zero in the table above.

If the underwriters' option to purchase additional shares is exercised in full, the following will occur:

- the number of shares of common stock held by our existing stockholder will decrease to approximately % of the total number of shares of common stock outstanding; and
- the number of shares held by new investors will be increased to shares or approximately % of the total number of shares of our common stock outstanding after this offering.

SELECTED FINANCIAL DATA

The following tables present our selected financial data. The information set forth below should be read together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical financial statements and notes to those statements included elsewhere in this prospectus. Our statements of operations data set forth below for the years ended June 28, 1997, June 27, 1998, and July 3, 1999 and the balance sheet data as of June 27, 1998, and July 3, 1999 are derived from our audited financial statements included elsewhere in this prospectus which have been audited by Arthur Andersen, LLP, independent auditors, whose report is also included in this prospectus.

The statements of operations data for the year ended July 1, 1995 and June 29, 1996 are derived from our unaudited financial data that is not included in this prospectus. The statements of operations data for the 39 weeks ended March 27, 1999 and April 1, 2000 and the balance sheet data as of March 27, 1999 and April 1, 2000 are derived from unaudited financial statements included elsewhere in this prospectus and, in the opinion of management, include all adjustments, consisting only of normal recurring accruals, that are necessary for a fair presentation of our financial position and results of operations for these periods. The historical financial information may not be indicative of our future performance and may not reflect what our financial position and results of operations would have been had we operated as a separate, stand-alone entity during the periods presented.

	FISCAL YEAR ENDED					39 WEEKS ENDED	
	JULY 1, 1995 (UNAUDITED)	JUNE 29, 1996 (UNAUDITED)	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)							
CONSOLIDATED AND COMBINED STATEMENT OF INCOME DATA:							
Net sales.....	\$395,021	\$512,645	\$540,366	\$522,220	\$507,781	\$389,502	\$427,232
Cost of sales.....	159,325	211,977	227,086	235,512	226,190	173,811	173,199
Gross profit.....	235,696	300,668	313,280	286,708	281,591	215,691	254,033
Selling, general and administrative expenses.....	178,221	238,621	269,011	261,695	255,008	186,071	206,399
Reorganization costs.....	--	--	--	--	7,108	7,108	--
Operating income.....	57,475	62,047	44,269	25,013	19,475	22,512	47,634
Net interest expense.....	(331)	(247)	(492)	(236)	(414)	(320)	(291)
Minority interest.....	(212)	--	(95)	66	--	--	--
Income before income taxes.....	56,932	61,800	43,682	24,843	19,061	22,192	47,343
Income taxes.....	19,963	18,940	11,645	4,180	2,346	2,954	15,174
Net income.....	\$ 36,969	\$ 42,860	\$ 32,037	\$ 20,663	\$ 16,715	\$ 19,238	\$ 32,169
Pro forma as adjusted net income (1).....					\$		\$
Net income per share--basic.....	\$	\$	\$	\$	\$	\$	\$
--diluted.....	\$	\$	\$	\$	\$	\$	\$
Shares used in computing net income per share--basic.....							
--diluted.....							
Unaudited pro forma as adjusted net income per share--basic.....					\$		\$
--diluted.....					\$		\$
Shares used in computing unaudited pro forma as adjusted net income per share--basic.....							
--diluted.....							

	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(DOLLARS IN THOUSANDS)			
CONSOLIDATED AND COMBINED BALANCE SHEET DATA:				
Working capital.....	\$ 95,554	\$ 51,685	\$ 62,160	\$ 46,387
Inventory.....	132,400	101,395	103,754	100,642
(Payable to) receivable from Sara Lee (2).....	(11,088)	54,150	46,346	89,537
Total assets.....	257,710	282,088	285,218	326,715
Stockholder's net investment.....	186,859	203,162	205,796	235,496

(1) Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of June 28, 1998:

- our assumption, prior to the offering, of \$190 million of indebtedness to a subsidiary of Sara Lee and the resulting reduction in Sara Lee's equity;
- capitalization of the receivable from Sara Lee in the amount of \$89.5 million into Sara Lee's equity;
- our sale of _____ shares of common stock in this offering at an assumed initial public offering price of \$ _____ per share and after deducting an assumed underwriting discount and estimated offering expenses payable by us;
- use of the offering proceeds to repay a portion of the \$190 million in indebtedness and reflection of interest expense on the unpaid balance of the indebtedness of \$ _____ at an assumed market interest rate of _____%, resulting in interest expense of \$ _____ in fiscal 1999 and \$ _____ for the 39 weeks ended April 1, 2000; and
- the difference in estimated costs for the services to be provided by Sara Lee under the master transitional services agreement, at a cost of \$1 million per year, from the costs historically allocated to us for these services, resulting in a net \$60 expense in fiscal 1999 and \$92 in the 39 weeks ended April 1, 2000.

Upon Sara Lee's exchange or other distribution of our common stock we will no longer participate in Sara Lee's benefit plans, insurance plans and working capital funding arrangements. We may face increased costs for these and other items, such as store leases, following this offering. At this time, we cannot estimate the amount or timing of these increased costs and, accordingly, we have not included this amount in the pro forma as adjusted amounts.

(2) Coach and Sara Lee expect that prior to the offering, the balance on the receivable from Sara Lee will be capitalized into Sara Lee's investment in Coach. No cash will be paid or collected by either party.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THE FOLLOWING DISCUSSION OF OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS SHOULD BE READ TOGETHER WITH OUR FINANCIAL STATEMENTS AND NOTES TO THOSE STATEMENTS INCLUDED ELSEWHERE IN THIS PROSPECTUS.

OVERVIEW

Coach was founded in 1941 and has been owned by Sara Lee since 1985. Coach is a leading designer, producer and marketer of high-quality, modern, American classic accessories. Our primary product offerings include handbags, men's and women's accessories, business cases, luggage and travel accessories, time management products, leather outerwear, gloves and scarves.

Coach generates sales by selling its products directly to consumers and to wholesale customers and by licensing its brand name to select manufacturers. Direct to consumer sales consist of sales of Coach products through our 106 company-operated U.S. retail stores, our direct mail catalogs, our e-commerce website, COACH.COM, and our 63 company-operated U.S. factory stores. Wholesale sales consist of sales of Coach products to approximately 1,400 department stores and specialty retailers in the U.S., and approximately 175 international department stores, retail stores and duty free shops in 18 countries. In the U.S., Coach generates additional wholesale sales through business-to-business programs, in which companies purchase Coach products to use as gifts or incentive rewards. Licensing revenues consist of royalties paid to Coach under licensing arrangements with select manufacturers for the sale of Coach branded watches, footwear, furniture and eyewear.

Our net sales grew at a compound annual growth rate of approximately 32% from \$19.0 million in 1985, when we were acquired by Sara Lee, to \$540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming part of Sara Lee. While Coach remained a leader in classically styled leather goods, handbags and accessories, consumers began to demand more fashion-oriented products using lighter-weight materials, which some of our competitors offered. At the same time, the economic downturn in Asia significantly curtailed tourism and consumer spending, and thus adversely affected our sales to Japanese consumers, our most important international consumer group. During fiscal years 1997 through 1999, we also experienced reduced profitability due to lower gross profits associated with slowing and declining sales coupled with additional costs related to investments in new stores, design talent, advertising and company-wide systems.

During this period, we implemented these and other initiatives to reorganize our business and to enable us to deliver new products in a broader array of materials and styles. Both domestic and international sales increased substantially during the first 39 weeks of fiscal 2000, primarily as a result of demand for our new product assortments and new store openings as well as the economic recovery in Asia. The increase in sales, combined with a lower cost structure, improved our profitability during this period.

Our cost of sales consists of the costs associated with manufacturing our products. Our gross profit is dependent upon a variety of factors and may fluctuate from quarter to quarter. These factors include changes in the mix of products we sell, fluctuations in cost of sales and changes in the relative sales mix among our distribution channels. Generally, direct to consumer sales have generated higher gross margins than wholesale sales, and international sales have generated higher gross margins than domestic wholesale sales.

Selling, general and administrative, or SG&A, expenses consist of all expenses directly related to selling our products, such as store lease payments, store employee compensation, product distribution expenses, marketing and promotion costs, mail order costs, new product design and

other administrative expenses. SG&A expenses are affected by the number of stores we open and operate in any fiscal period and the relative proportions of retail and wholesale sales. SG&A expenses increase as we operate more stores, although an increase in the number of stores generally enables us to spread the fixed portion of our SG&A expenses over a larger sales base.

In fiscal 1998, we discontinued our Mark Cross product line, which consisted of women's and men's leather accessories and gifts, due to poor performance and to focus on the Coach brand. We also discontinued our Coach men's apparel line, and converted our footwear line from a sourced relationship to a licensing relationship. The cost incurred in fiscal year 1998 to discontinue the Mark Cross product line was \$5.7 million, including the cost of closing its seven retail stores. We incurred approximately \$1.3 million in expenses in connection with the discontinuation of our men's apparel line and the conversion of our footwear line relationship.

As part of the transformation of our business, we consolidated our distribution operations into our Jacksonville, Florida distribution facility in fiscal 1999 to reduce costs and provide capacity for future unit growth. In addition, we significantly reduced manufacturing operations in our Carlstadt, New Jersey facility and transferred production to lower cost independent manufacturers. We continue to manufacture prototypes at the Carlstadt facility. The total cost of the reorganization of our distribution and manufacturing operations in fiscal 1999 was \$7.1 million, comprised of \$5.7 million associated with the Carlstadt shutdown, \$1.1 million associated with manufacturing reductions in Medley, Florida and \$0.3 million associated with manufacturing reductions in Florence, Italy.

Our fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 consists of 53 weeks and fiscal years 1995, 1996, 1997, 1998 and 2000 each consist of 52 weeks.

SALES

The following discussion and table provides further information regarding our two distribution channels, our net sales by region, and our annual and interim results.

	FISCAL YEAR ENDED					39 WEEKS ENDED	
	JULY 1, 1995(1) (UNAUDITED)	JUNE 29, 1996(1) (UNAUDITED)	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(1)	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(DOLLARS IN MILLIONS)						
NET SALES							
By Channel:							
Direct to Consumer.....	\$225.8	\$280.2	\$331.0	\$333.5	\$336.5	\$256.6	\$271.5
Wholesale.....	169.2	232.4	209.4	188.7	171.3	132.9	155.7
	-----	-----	-----	-----	-----	-----	-----
	\$395.0	\$512.6	\$540.4	\$522.2	\$507.8	\$389.5	\$427.2
	=====	=====	=====	=====	=====	=====	=====
By Region:							
United States.....	\$346.1	\$436.4	\$485.4	\$478.6	\$463.0	\$356.6	\$383.4
International.....	48.9	76.2	55.0	43.6	44.8	32.9	43.8
	-----	-----	-----	-----	-----	-----	-----
	\$395.0	\$512.6	\$540.4	\$522.2	\$507.8	\$389.5	\$427.2
	=====	=====	=====	=====	=====	=====	=====

(1) Includes net sales of our discontinued Mark Cross product line equal to \$12.7 million, \$15.6 million, \$16.4 million and \$6.5 million for fiscal years 1995, 1996, 1997 and 1998, respectively.

Direct to consumer net sales increased from \$225.8 million in fiscal 1995 to \$336.5 million in fiscal 1999. The growth in direct to consumer net sales was primarily attributable to an increase in the number of our stores throughout the U.S. Since the beginning of 1995, we have opened 40 retail stores and 44 factory stores, while closing 13 retail stores and six factory stores.

Wholesale net sales increased slightly from \$169.2 million in fiscal 1995 to \$171.3 million in fiscal 1999. This increase was primarily the result of growth in sales in our business-to-business programs, largely offset by a decline in shipments to U.S. department stores and third-party international distributors.

FLUCTUATIONS IN QUARTERLY OPERATING RESULTS

We have experienced, and expect to continue to experience, fluctuations in our quarterly operating results. Although there are numerous factors that can contribute to these fluctuations, the principal factor is seasonality.

SEASONALITY. Because our products are frequently given as gifts, we have historically realized, and expect to continue to realize, higher sales and operating income in the second quarter of our fiscal year. In addition, we have sometimes experienced and may continue to experience net losses in any of our first, third or fourth fiscal quarters. Over the past three fiscal years, between 34% and 36% of our annual sales were recognized in the second quarter, which includes the holiday months of November and December. Over the past three fiscal years, sales in each of the first, third and fourth quarters have represented between 20% and 23% of our annual sales. The higher sales in the second quarter typically result in higher operating profits and margins. This is due to higher gross profits, with no substantial corresponding increase in fixed costs related to operating retail stores and other administrative and selling costs, which remain fairly constant throughout the year. During the holiday season, these fixed costs are spread over more sales, resulting in greater operating profits expressed in both dollars and as a percent of sales in the second quarter compared to the other three quarters. We anticipate that our sales and operating profit will continue to be seasonal in nature.

OTHER FACTORS. Our quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including, among other things:

- the timing of new store openings;
- net sales and profits contributed by new stores;
- increases or decreases in comparable store sales;
- shifts in the timing of holidays;
- changes in our merchandise mix; and
- the timing of new catalog releases and new product introductions.

RESULTS OF OPERATIONS

The following tables set forth, for the periods indicated, actual results and the percentage relationship to net sales of selected items in our combined statements of income:

	FISCAL YEAR ENDED			39 WEEKS ENDED	
	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(1)	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(DOLLARS IN MILLIONS)				
Net sales.....	\$540.4	\$521.9	\$507.0	\$389.0	\$425.9
Licensing revenue.....	--	0.3	0.8	0.5	1.3
Total net sales.....	540.4	522.2	507.8	389.5	427.2
Gross profit.....	313.3	286.7	281.6	215.7	254.0
Selling, general and administrative expenses.....	269.0	261.7	255.0	186.1	206.4
Operating income before reorganization costs.....	44.3	25.0	26.6	29.6	47.6
Reorganization costs.....	--	--	7.1	7.1	--
Operating income.....	44.3	25.0	19.5	22.5	47.6
Net interest expense.....	(0.5)	(0.2)	(0.4)	(0.3)	(0.3)
Minority interest.....	(0.1)	0.1	--	--	--
Income before income taxes.....	43.7	24.9	19.1	22.2	47.3
Income taxes.....	11.7	4.2	2.4	3.0	15.1
Net income.....	\$ 32.0	\$ 20.7	\$ 16.7	\$ 19.2	\$ 32.2

	FISCAL YEAR ENDED			39 WEEKS ENDED	
	JUNE 28, 1997(1)	JUNE 27, 1998(1)	JULY 3, 1999(1)	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(PERCENTAGE OF NET SALES)				
Net sales.....	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin.....	58.0	54.9	55.4	55.4	59.4
Selling, general and administrative expenses.....	49.8	50.1	50.2	47.8	48.3
Operating income before reorganization costs.....	8.2	4.8	5.2	7.6	11.1
Reorganization costs.....	0.0	0.0	1.4	1.8	--
Operating income.....	8.2	4.8	3.8	5.8	11.1
Net interest expense.....	(0.1)	--	--	(0.1)	--
Minority interest.....	--	--	--	--	--
Income before income taxes.....	8.1	4.8	3.8	5.7	11.1
Income taxes.....	2.2	0.8	0.5	0.8	3.6
Net income.....	5.9%	4.0%	3.3%	4.9%	7.5%

(1) Includes net sales of our discontinued Mark Cross product line equal to \$12.7 million, \$15.6 million, \$16.4 million and \$6.5 million for fiscal years 1995, 1996, 1997 and 1998, respectively.

NET SALES

Net sales increased by 9.7% to \$427.2 million in the first 39 weeks of fiscal 2000 from \$389.5 million during the same period of fiscal 1999. These results reflect increased volume in the direct to consumer channel and, to a greater extent, in the wholesale channels.

DIRECT TO CONSUMER. Sales increased 5.8% to \$271.5 million in the first 39 weeks of fiscal 2000 from \$256.6 million during the same period of fiscal 1999. This sales growth was primarily attributable to comparable store sales growth of 7.8% and the opening of six new retail stores and one new factory store. Comparable store sales growth for retail stores and factory stores open for one full year was 12.1% and 3.6%, respectively. In addition, we renovated 18 retail stores during fiscal 2000, which generated incremental sales growth after their renovation. This growth was partially offset by the curtailment of warehouse and employee sales totaling \$6.5 million, the closing of three retail stores and one factory store and the temporary closure of some stores for renovations. We launched our e-commerce website, COACH.COM, in October 1999, which generated \$3.2 million in sales through April 1, 2000.

WHOLESALE. Sales increased 17.1% to \$155.7 million in the first 39 weeks of fiscal 2000 from \$132.9 million during the same period of fiscal 1999. This increase resulted from increased demand for our new product assortments and the economic recovery in Asia. Licensing revenue increased 160% to \$1.3 million in the first 39 weeks of fiscal 2000. This increase reflects the full year impact of the Coach footwear licensing arrangement and the introduction of the furniture licensing arrangement in July 1999.

GROSS PROFIT

Gross profit increased 17.8% to \$254.0 million in the first 39 weeks of fiscal 2000 from \$215.7 million during the same period of fiscal 1999. Gross margin increased to 59.4% in the first 39 weeks of fiscal 2000 from 55.4% during the same period of fiscal 1999. This increase in gross margin was primarily due to manufacturing and sourcing cost reductions from our reorganization in 1999 that were realized during the first 39 weeks of fiscal 2000, as well as increased sales at our retail stores and increased shipments to international distributors. In fiscal 2000, approximately 65% of our total units produced will be manufactured by independent manufacturers, compared to approximately 48% in fiscal 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses increased 10.9% to \$206.4 million in the first 39 weeks of fiscal 2000 from \$186.1 million during the same period of fiscal 1999. As a percentage of net sales, SG&A expenses were 48.3%, compared to 47.8% in the first 39 weeks of fiscal 1999. SG&A expenses in the first 39 weeks of fiscal 2000 increased in dollars and as a percentage of net sales primarily as a result of increases in performance-based compensation, costs associated with new store openings and store expansions, advertising and design expenses.

OPERATING INCOME

Operating income increased 111.6% to \$47.6 million in the first 39 weeks of fiscal 2000 from \$22.5 million during the same period of fiscal 1999. Before the impact of reorganization costs in fiscal 1999, operating income increased 60.8% to \$47.6 million in the first 39 weeks of fiscal 2000 from \$29.6 million during the same period of fiscal 1999. This increase resulted primarily from an overall increase in sales and improved gross margin in the first 39 weeks of fiscal 2000, which was partially offset by an increase in SG&A expenses.

INCOME TAXES

Our effective tax rate increased to 32.1% in the first 39 weeks of fiscal year 2000 from 13.3% during the same period of fiscal 1999, due to a lower percentage of income attributable to off-shore manufacturing that is taxed at lower rates.

NET INCOME

Net income increased 67.2% to \$32.2 million in the first 39 weeks of fiscal 2000 from \$19.2 million during the same period of fiscal 1999. This increase was primarily caused by increased sales and improved gross margins partially offset by an increase in SG&A expenses and taxes in the first 39 weeks of fiscal 2000.

FISCAL 1999 COMPARED TO FISCAL 1998

NET SALES

Net sales decreased 2.8% to \$507.8 million in fiscal 1999 from \$522.2 million in fiscal 1998. These results reflect lower volume within the wholesale business being partially offset by increased direct to consumer sales and the fact that 1999 was a 53-week year.

DIRECT TO CONSUMER. Sales increased 0.9% to \$336.5 million in fiscal 1999 from \$333.5 million in fiscal 1998. This increase was due to the inclusion of \$5.3 million of sales in week 53 of fiscal 1999 and sales generated by four new retail stores and two new factory stores. During this same period, we closed three retail stores and two factory stores. Overall, comparable store sales decreased 3.0%. Comparable store sales for the retail stores and factory stores open for one full year increased 1.8% and decreased 7.5%, respectively, in fiscal 1999. The increase in net sales was offset by a \$4.7 million decrease in sales attributable to the discontinuation of the Mark Cross product line and by lower catalog sales.

WHOLESALE. Sales decreased 9.2% to \$171.3 million in fiscal 1999 from \$188.7 million in fiscal 1998. These results were primarily due to increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products. Discontinuation of the Mark Cross product line reduced wholesale shipments by \$1.8 million. Fiscal 1999 wholesale results include \$1.8 million of sales in week 53. Licensing revenue increased 167% to \$0.8 million in fiscal 1999 from \$0.3 million in fiscal 1998. This increase reflects the full year impact of the Coach watch licensing arrangement.

GROSS PROFIT

Gross profit decreased 1.8% to \$281.6 million in fiscal 1999 from \$286.7 million in fiscal 1998 primarily as a result of lower sales. Gross margin increased to 55.4% in fiscal 1999 from 54.9% in fiscal 1998. This increase in gross margin was primarily due to the increase in net sales of Coach's higher margin direct to consumer sales as a percentage of total net sales, as well as decreased manufacturing costs realized during fiscal 1999.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.6% to \$255.0 million in fiscal 1999 from \$261.7 million in fiscal 1998. As a percentage of net sales, SG&A expenses increased to 50.2% in fiscal 1999 as compared to 50.1% in fiscal 1998. The decrease in SG&A expenses was primarily the result of the elimination of expenses associated with the discontinued men's apparel line, the conversion of the footwear line to a licensing arrangement, reduced and more focused advertising spending, reduced wholesale operating costs, warehousing efficiencies and general overhead cost reductions. These reductions were partially offset by new store opening costs for four retail and two factory stores.

Additionally, information technology expenses in fiscal 1999 were \$4.3 million less than fiscal 1998. The reduction in expenses was due to lower development and training costs following the

implementation of our enterprise resource planning software system, which supports our accounting, procurement, inventory control and sales functions.

REORGANIZATION COSTS

In fiscal 1999, we reorganized and consolidated our manufacturing and distribution operations, which resulted in reorganization costs of \$7.1 million. The reorganization of our manufacturing and distribution operations was completed in the first quarter of fiscal 2000.

OPERATING INCOME

Operating income decreased 22.1% to \$19.5 million in fiscal 1999 from \$25.0 million in fiscal 1998. Operating income before reorganization costs increased 6.3% to \$26.6 million in fiscal 1999 from \$25.0 million in fiscal 1998, as a result of decreased sales, offset by improved gross margins and a reduction in SG&A expenses.

INCOME TAXES

Our effective tax rate decreased to 12.3% in fiscal 1999 from 16.8% in fiscal 1998, primarily due to tax benefits associated with product donations to charitable organizations. The relatively low effective tax rate for both 1999 and 1998 was attributable to off-shore manufacturing income that is taxed at lower rates.

NET INCOME

Net income declined 19.1% to \$16.7 million in fiscal 1999 from \$20.7 million in fiscal 1998. This decrease was primarily the result of the decrease in net sales and \$7.1 million attributable to reorganization costs partially offset by higher gross margins and the lower effective tax rate.

FISCAL 1998 COMPARED TO FISCAL 1997

NET SALES

Net sales decreased 3.4% to \$522.2 million in fiscal 1998 from \$540.4 million in fiscal 1997. This decrease was the result of discontinuing the Mark Cross product line, increased competition from designer brands in the U.S. market as well as a shift in consumer demand from leather to mixed material and non-leather products.

DIRECT TO CONSUMER. Sales increased 0.8% to \$333.5 million in fiscal 1998 from \$331.0 million in fiscal 1997. Sales increased \$8.6 million due to the opening of eight new retail stores and nine new factory stores in fiscal 1998, while closing five retail stores and one factory store. However, this increase was offset by a 5.0% decline in comparable store sales for retail stores open for one full year while comparable store sales for factory stores open for one full year were flat. Overall, comparable store sales decreased 2.5%. The retail channel gains were offset by a decrease of \$9.0 million due to discontinuing the Mark Cross product line and a decrease of \$3.9 million due to fewer employee sales.

WHOLESALE. Sales decreased 9.9% to \$188.7 million in fiscal 1998 from \$209.4 million in fiscal 1997. This decrease was attributable to a decline in shipments to international distributors as a result of the economic downturn in Asia and declining U.S. wholesale sales because of our product assortment. Royalties of \$0.3 million were generated by the Coach watch licensing arrangement.

GROSS PROFIT

Gross profit decreased 8.5% to \$286.7 million in fiscal 1998 from \$313.3 million in fiscal 1997. Gross margin decreased to 54.9% in fiscal 1998 from 58.0% in fiscal 1997. This decrease in gross margin resulted from increased mark downs to move excess inventory, supply chain bottlenecks related to the introduction of new product categories and increased overhead costs in anticipation of increased production requirements that did not materialize.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses decreased 2.7% to \$261.7 million in fiscal 1998 from \$269.0 million in fiscal 1997. As a percentage of net sales, SG&A expenses increased to 50.1% in fiscal 1998 from 49.8% fiscal 1997. \$7.0 million of the decrease in SG&A expenses was attributable to the discontinuation of the men's apparel and Mark Cross product lines and the conversion of our footwear line to a licensing arrangement. Additionally, in fiscal 1998, SG&A expenses benefited from \$6.0 million in reductions associated with development and training costs following the implementation of the enterprise resource planning software system. These savings were partially offset by increased selling expenses related to the opening of eight retail stores and nine factory stores.

OPERATING INCOME

Operating income decreased 43.5% to \$25.0 million in fiscal 1998 from \$44.3 million in fiscal 1997. This decrease primarily was a result of reduced comparable store sales, wholesale sales and gross margins, as well as increased costs to discontinue some of our product lines and a reduction in SG&A expenses.

INCOME TAXES

Our effective tax rate decreased to 16.8% in fiscal 1998 from 26.7% in fiscal 1997, due to a higher percentage of income attributable to off-shore manufacturing that is taxed at lower rates.

NET INCOME

Net income declined 35.5% to \$20.7 million in fiscal 1998 from \$32.0 million in fiscal 1997. This decrease was caused by declining sales and gross margin, which were partially offset by lower SG&A expenses and a lower effective tax rate.

LIQUIDITY AND CAPITAL RESOURCES

Historically, Sara Lee has managed cash on a centralized basis for Coach and its other businesses. Cash receipts associated with our business have been transferred directly to Sara Lee on a daily basis and Sara Lee has provided funds to cover our disbursements. In accordance with the separation agreement, Sara Lee will transfer to us the assets and liabilities which relate to our business on the separation date, including the intercompany note payable to a Sara Lee subsidiary. The net proceeds of this offering will be used to repay a portion of the note.

Cash provided by operating activities, defined as net income plus depreciation and amortization and the change in working capital, was \$55.5 million for the first 39 weeks of fiscal 2000. Cash provided by operating activities was \$79.0 million in fiscal 1999, \$17.2 million in fiscal 1998 and \$35.9 million in fiscal 1997. We experience significant seasonal variations in our working capital requirements. During the first fiscal quarter, we build inventory for the holiday selling season. In the second fiscal quarter, our working capital requirements are reduced substantially as we generate consumer sales and collect wholesale accounts receivable.

We had capital expenditures of \$19.4 million in the first 39 weeks of fiscal 2000, \$13.5 million in fiscal 1999, \$15.2 million in fiscal 1998 and \$30.2 million in fiscal 1997. Capital expenditures primarily consisted of investments for new retail stores and retail store renovations. Approximately 60% of total capital expenditures for the first 39 weeks of fiscal 2000 were spent on new retail stores and retail store renovations. Fiscal 1999 also included the costs associated with the Jacksonville distribution center expansion. In addition, in fiscal 1995, 1996 and 1997, we expended \$14.7 million for the implementation of an enterprise resource planning software system of which \$12.9 million was expensed as incurred and is included within SG&A expenses.

Our future capital requirements will depend on a number of factors, including the timing and rate of expansion of our business. Prior to the completion of this offering, we will enter into a

revolving credit facility with Sara Lee under which we may borrow up to \$75 million from Sara Lee. We presently anticipate that we will borrow approximately \$50 million under the revolving credit facility in the first quarter of fiscal 2001 to fund increased inventory purchases in anticipation of the holiday season and other working capital requirements. Our borrowing needs could exceed \$50 million depending on our anticipated holiday sales and other working capital requirements that may arise. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds a majority of our outstanding common stock. We anticipate that at such time we will enter into a revolving credit facility with a banking institution. The revolving credit facility with Sara Lee contains customary covenants restricting our activities, including our incurrence of secured indebtedness and our entry into leases exceeding a specified amount, and financial covenants based on our cash flow.

Under the real estate matters agreement with Sara Lee, we may also be required to pay a monthly lease fee to Sara Lee if (1) by the date of any exchange or other distribution of our common stock by Sara Lee, Sara Lee has not been released from all obligations with respect to the leased properties transferred to us and (2) we fail to satisfy certain financial ratios.

We believe that our operating cash flow together with our revolving credit facility and any refinancings of the facility will provide sufficient capital to fund our operations for the foreseeable future.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

FOREIGN EXCHANGE

Approximately 65% of our product needs are purchased from independent manufacturers in countries such as China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. Additionally, sales are made through international channels to third-party distributors. Substantially all purchases and sales involving international parties are denominated in U.S. dollars and therefore are not hedged using any derivative instruments. We have not used foreign exchange instruments in the past nor do we expect to use them in the future.

INTEREST RATE

Historically, Sara Lee has made all of our cash management and short term investment decisions. We have fixed rate long-term debt related to the Jacksonville distribution center and use the sensitivity analysis technique to evaluate the change in fair value of this debt instrument. At the end of 1999, the effect of a 10% change in market interest rates was approximately \$0.2 million. We do not expect our operating results or cash flows to be affected to any significant degree by the effect of a sudden change in market interest rates.

COMMODITY

We buy tanned leather from various suppliers based upon fixed price purchase contracts that extend for periods up to six months. These purchases are not hedged with any derivative instrument. Due to the purchase contracts that are in place, we do not expect that a sudden short-term change in leather prices will have a significant effect on our operating results or cash flows. However, we use the sensitivity analysis technique to evaluate the change in fair value of the leather purchases based upon longer-term price trends. At the end of 1999, a 10% change in the underlying price of tanned leather would have had a \$6.9 million effect on cost of sales.

EFFECTS OF RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133. These statements outline the accounting treatment for all derivative activity. We do not use derivative instruments and these accounting statements will not have an affect on us.

In May 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board announced that it reached a conclusion on Issue 00-14 "Accounting for Sales Incentives". Issue 00-14 establishes requirements for the recognition and display of sales incentives such as discounts, coupons and rebates within the financial statements. The Emerging Issues Task Force conclusions on this issue will become effective for reporting periods beginning after May 18, 2000. Because of the timing of the release of these conclusions, we have yet to fully assess their effect on our results of operations and financial position. Based upon the available information it is likely that the adoption of this statement will result in the reclassification of various costs within the captions of our income statement. At this time, we do not believe that the adoption of this statement would affect our pretax earnings or net income.

OVERVIEW

We are a leading designer, producer and marketer of high-quality, modern, American classic accessories that complement the diverse lifestyles of discerning women and men. Coach is one of the best recognized leather goods brands in the U.S. and is enjoying increased recognition in targeted international markets. We believe the prominence of the Coach brand results from the unique combination of our original American attitude and design, our heritage in fine leather products, our superior product quality and durability and our commitment to customer service. Net sales were \$507.8 million for fiscal year 1999 and \$427.2 million for the first 39 weeks of fiscal 2000. Operating income before reorganization costs was \$26.6 million for fiscal year 1999 and \$47.6 million for the first 39 weeks of fiscal 2000.

Our primary product offerings include handbags, men's and women's accessories, business cases, luggage and travel accessories, time management products, leather outerwear, gloves and scarves. Together with our licensing partners, we also offer watches, footwear, furniture and eyewear with the Coach brand name. Our products are sold through a number of direct to consumer channels, including our:

- 106 U.S. retail stores;
- direct mail catalogs;
- e-commerce website, COACH.COM; and
- 63 U.S. factory stores.

Our direct to consumer business will represent approximately 64% of our total sales in fiscal year 2000. Our remaining sales are generated from products sold through a number of indirect channels, including:

- approximately 1,400 department stores and specialty retailers in the U.S.;
- approximately 175 international department stores, retail stores and duty free shops in 18 countries; and
- corporate sales programs.

Founded in 1941, we have grown from a family-run workshop in a Manhattan loft to a premier accessories marketer in the U.S. We developed our initial expertise in the small-scale production of classic, high-quality leather goods constructed from "glove-tanned" leather with close attention to detail. By the 1980s, we had grown into a niche maker and marketer of traditionally styled, high-quality leather goods with expanding national brand recognition, selling our products through upscale department and specialty stores, our own retail stores and our first direct mail catalog. Sara Lee acquired the Coach Leatherware Company, our predecessor, in 1985. Since then, we have built upon our national brand awareness, expanded into international sales, particularly in Japan and East Asia, diversified our product offerings beyond handbags, further developed our multi-channel distribution strategy and licensed products with the Coach brand name.

Our net sales grew at a compound annual growth rate of approximately 32% from \$19.0 million in 1985, when we were acquired by Sara Lee, to \$540.4 million in fiscal year 1997. In fiscal years 1998 and 1999, we experienced sales declines of 3.4% and 2.8%, respectively, our first year-to-year sales declines since becoming a part of Sara Lee. These declines were primarily the result of changes in consumer preferences from leather to mixed material and non-leather products, which some of our competitors offered, and diminished demand for our products due to the economic downturn in Asia. During fiscal years 1997 through 1999, we also experienced reduced profitability.

During this period, we embarked on a fundamental transformation of the Coach brand. We repositioned Coach's image in a modern, fashionable direction to make it more appealing to consumers. We built upon our popular core categories by introducing new products in a broader array of materials and styles to respond to consumers' demands for both fashion and function and we introduced new product categories. In 1999, we began renovating Coach retail stores, select U.S. department store locations and key international locations to create a modern environment to showcase our new product assortments and reinforce a consistent brand position. Over the last three years, we also have been implementing a flexible, cost-effective sourcing and manufacturing model that allows us to bring our broader range of products to market more rapidly and efficiently.

We believe that these strategic initiatives have succeeded in repositioning Coach as a modern lifestyle accessories brand. Primarily as a result of our repositioning initiatives, our sales increased 9.7% and our earnings from operations before reorganization costs increased 60.8% in the first 39 weeks of fiscal 2000, compared with the same period in 1999.

We have developed a number of strengths that we believe create significant competitive advantages. These include:

- an established and growing brand franchise and a loyal consumer base, reinforced by years of investment in consistent marketing communications;
- distinctive product attributes, including a reputation for product quality, durability, function, premium leather and classic styling;
- comprehensive internal creative direction that defines our image, delivers a consistent message and differentiates Coach from other brands;
- a well-developed multi-channel presence allowing us to serve our customers wherever they choose to shop; and
- recognition as a desirable resource for both personal and business gift-giving occasions.

GROWTH STRATEGIES

Based on our established strengths, we are pursuing the following strategies for future growth:

ACCELERATE NEW PRODUCT DEVELOPMENT. We are accelerating the development of new products, styles and product categories that support our image as a broader lifestyle accessories brand through:

- seasonal variations of successful styles in new colors, leathers and fabrics that reflect current fashion trends;
- new collections, product additions and line extensions that add to our existing product portfolio, such as the recently-launched Coach Hamptons collection of handbags and accessories, which introduce new shapes, fabrics and detailing to our existing handbag and accessories portfolio;
- new categories of product offerings, such as electronic accessories and products for the home and for pets;
- continual updates to our core collections, such as a classic briefcase in a new, lightweight travel twill; and
- licensed products with the Coach brand name, such as watches, footwear, furniture and eyewear, and our participation in co-marketing ventures with companies such as Toyota, Lexus, Palm and Motorola.

Approximately 47% of our fiscal year 1999 net sales were comprised of products introduced within the fiscal year, including new product categories and line extensions. During fiscal year 2000, we anticipate that approximately 56% of our net sales will be generated from products introduced within the fiscal year.

MODERNIZE RETAIL PRESENTATION. We are modernizing our brand image by remodeling all Coach retail stores to create a distinctive environment to showcase our new product assortments and reinforce a consistent brand position. Our renovated retail stores have demonstrated significantly higher comparable store sales growth relative to unrenovated stores. For example, the 16 stores that were renovated by November 1999 experienced comparable store sales growth of approximately 16% for the period from November 1999 through May 2000, compared to the same period in the prior fiscal year. Comparable store sales growth for unrenovated stores during the same period was 7%. We have recently expanded and rebuilt our New York and San Francisco flagship stores in our modern format. We expect that:

- 30 Coach retail stores will reflect the new store design by June 2000, with the remaining stores renovated by June 2003;
- approximately 80 key international locations will be converted to the new store design by June 2001;
- 40 of our leading U.S. department store locations will be remodeled by December 2000 and approximately 60 additional locations will be remodeled by December 2002; and
- approximately 15 key Coach retail locations will be expanded over the next three years.

INCREASE U.S. RETAIL STORE OPENINGS. We opened eight new U.S. retail stores in fiscal year 2000. Over the next three years, we plan to expand our network of 106 retail stores by opening 50 new stores located primarily in high volume markets. We believe that we have a successful retail store format that reinforces our brand image, generates stronger sales per square foot and can be readily adapted to different location requirements. It generally takes four to six months from the time we take possession of a store to open it.

FURTHER PENETRATE INTERNATIONAL MARKETS. We are increasing our international distribution and targeting international consumers generally, and Japanese consumers in particular, to take advantage of substantial growth opportunities. Our current network of international distributors serve markets in Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. We have significant opportunities to increase sales through existing and new international distribution channels. We believe Japanese consumers represent a major growth opportunity because they spend substantially more on handbags than U.S. consumers on a per capita basis.

IMPROVE OPERATIONAL EFFICIENCIES. We upgraded and reorganized our manufacturing, distribution and information systems over the past three years to allow us to bring new and existing products to market more efficiently. While maintaining our quality control standards, we have shifted the majority of our manufacturing processes from owned domestic factories to sourced factories in lower cost markets. As a result, we have increased our flexibility and lowered our costs. In the first 39 weeks of fiscal 2000, our gross margin increased to 59.4% from 55.4% during the same period in fiscal 1999.

We intend to continue to increase efficiencies in our sourcing, manufacturing and distribution processes by:

- strengthening the coordination of design, merchandising, product development and manufacturing/sourcing to streamline product introduction;
- implementing a new product development process and timeline;

- improving time to market capabilities and efficiencies;
- integrating computer-assisted design into the product design and development process;
- establishing product development capabilities to test new materials and new design functionality;
- expanding our organization to improve our East Asian sourcing capabilities;
- introducing new business systems that use sales information and demographic data to tailor the mix of product offerings at different retail locations to consumer preferences at such locations;
- shortening product lead times to improve inventory management; and
- continuing implementation of a comprehensive supply chain management strategy.

PROMOTE GIFT PURCHASES OF OUR PRODUCTS. We believe that a substantial amount of our U.S. sales are gift purchases because of our higher sales during the holiday season. We intend to further promote Coach as an appealing resource for gift-giving occasions by developing new products well-suited for gift selection. In addition, our marketing communication efforts, including advertising, catalog mailings and outbound e-mails, are timed to reach consumers before important holidays throughout the year.

CAPITALIZE ON GROWING INTEREST IN E-COMMERCE. Our on-line store, COACH.COM, has been visited by 1.8 million consumers since its launch in October 1999, and has already generated \$3.7 million in net sales to date. Our 20 years of Coach catalog experience gives us expertise in order fulfillment and remote retailing that, we believe, leads to superior customer service and, consequently, high repeat traffic. Our website meets growing consumer demand for the flexibility and convenience of shopping over the Internet by offering a selective array of our products.

OUR PRODUCTS

HANDBAGS. Our original business was the design, manufacture and distribution of fine handbags, which today still accounts for approximately 56% of our net sales. We believe women's handbags, as a category, enjoys the highest level of brand loyalty, repeat purchase and annual expenditures within the accessories market. Consumers in the U.S. spent approximately \$5.0 billion on handbags and accessories in 1998.

We are recognized in the global marketplace for our design innovation in handbags. We have quarterly offerings, featuring classically inspired designs as well as fashion trend designs. Typically, there are three to four collections per quarter and four to seven styles per collection, depending on concept and opportunity. We name our collections based on the attitude and design inspiration. Our handbag retail prices generally range from \$120 to \$350.

THE ORIGINAL CLASSICS. Inspired by the original Coach designs, our classic handbag collections are all "glove-tanned" leather and include the Legacy, Signature and Voyager lines. These collections feature bound edge construction and turn lock closures and represent approximately 45% of our handbag net sales. Classic "icon" styles include the Willis, Station Bag, Patricia's Legacy and the Day Pack Backpack.

CLASSIC FASHION. From Bleecker to Whitney, the classic fashion collections are modern updates of the original classics and represent approximately 35% of our handbag net sales. These collections are developed with variations of materials, construction, stitch details, hardware, handle and strap materials. Fabrications include "glove-tanned," suede, nubuck and canvas/linen twills.

FASHION. Pinnacle and exotic leathers, fabric and seasonal product anchor this category, which represents approximately 20% of our handbag net sales. Mercer nylon and Hamptons twill are the current principal collections.

ACCESSORIES. Women's accessories represent approximately 12% of our net sales and consists of wallets, cosmetic cases, key fobs, belts and hair accessories. We recently completed a comprehensive updating of the design of the small leather goods collections to coordinate them with our popular handbag collections. Men's accessories also represent approximately 12% of our net sales and consist of belts, leather gift boxes and other small leather goods, of which electronics cases and business organizers are most popular. Our extensive assortment of small leather goods and accessories sell at retail prices that generally range from \$30 to \$300.

BUSINESS CASES. Business cases represent approximately 7% of our net sales and generally range from \$160 to \$700 at retail. We have recently introduced two new collections, Wall Street and our first nylon and leather collection, Express. Both Wall Street and Express include computer bags. A collection geared especially to women, Hamptons Business, will be introduced in the Fall.

LUGGAGE AND TRAVEL ACCESSORIES. The Coach luggage collection is comprised of cabin bags, duffels, suitcases, garment bags and a comprehensive collection of travel accessories. The collections are Travel Leather, the lightweight Express and Hamptons Twill. We intend to launch a new leather collection, Hamptons Leather, in Fall of this year. Luggage and travel accessories represent approximately 5% of our net sales. Travel accessories generally range in price from \$90 to \$250, while luggage generally starts at \$290 and reaches approximately \$700 at retail.

TIME MANAGEMENT. A complement to our business cases and handbag collections, our time management assortment includes folios, planners and desk agendas in burnished water buffalo, bridle, nubuck and novelty fabrics like denim, hair calf, tartan and vachetta. The category represents approximately 3% of our net sales, and generally retails in the \$100 to \$230 price range.

OUTERWEAR, GLOVES AND SCARVES. Primarily a cold weather category, the assortment is 60% women's and contains a fashion assortment in all three categories. In total, this category represents approximately 2% of our net sales. Our line of outerwear generally sells at a range of retail prices from \$250 to \$890.

WATCHES. Movado Group, Inc. has been our watch licensee since 1998 and has developed a distinctive collection of watches inspired by both our men's and women's collections. Our watches are manufactured in Switzerland and are branded with the Coach name and logo. They generally retail from \$195 to \$995. The collection has over 35 styles ranging from the Classic and Legacy to the Mercer diamond bangle and our pinnacle men's watch, the Morgan.

FOOTWEAR. Jimlar Corporation became our footwear licensee in 1998 after a three year sourcing relationship. Our footwear is developed and manufactured in Italy and is distributed through 66 locations in the U.S. We plan to expand our distribution to over 250 locations by June 2001. 92% of the business is in women's footwear. The collections coordinate with our handbags and employ fine materials including calf and suede. Patent, pearlized, hair calf and exotic leathers are also used for quality, styling and comfort. Footwear, including boots, generally retails between \$130 to \$350 a pair.

FURNITURE AND HOME FURNISHINGS. Furniture was launched in the Fall of 1999 with Baker Knapp & Tubbs, Inc. as the licensee. The furniture collection is comprised of a range of leather and suede sofas, chairs and benches and includes our distinctive ebony wood and leather field chairs

and ottomans. The collection is sold through Baker Knapp & Tubbs showrooms and select dealers across the U.S. The home furnishings collection was developed for Coach retail stores with an assortment of leather frames, mirrors, boxes, trays and pillows. This category sells at a broad range of retail prices, from \$30 on the low end of the home furnishings collection to \$6,400 at the high end of the furniture line.

EYEWEAR. Our newest licensed product line, Coach Eyewear, was launched in April 2000. Our licensing partner in this venture is Signature Eyewear, Inc. Sunglasses from the Coach Eyewear collection will be available in Coach retail stores and in selected U.S. wholesale locations. Eyeglasses and sunglasses will also be available through approximately 860 selected prescription eyewear locations throughout the U.S. Eyewear generally sells for \$120 to \$210 at retail.

In some of our categories, select core products and watches made from exotic skins and precious metals are offered in limited quantities and are sold at retail prices that range from approximately \$300 to \$15,000.

DESIGN AND MERCHANDISING

Coach's New York-based design team, led by our executive creative director, is responsible for conceptualizing and directing the design of all Coach products. Designers have access to our extensive archives of product designs created over the past 50 years, which are a valuable resource for new product concepts. Coach designers are also supported by a strong merchandising team that analyzes sales, market trends and consumer preferences to identify business opportunities that help guide each season's design process. Merchandisers also rationalize the entire product line by editing, adding and deleting styles with the objective of maximizing profitable sales across channels. Having one centralized, internal design and merchandising group of approximately 20 professionals help us execute well-defined design concepts that are consistent with the brand's strategic direction.

Working under the same creative leadership, our store design and point-of-sale merchandising group creates and oversees implementation of our store environments. From Coach shop-within-shop locations in major department stores to our own retail and factory stores, we continue the consistent communication of the Coach lifestyle image. Through our program to renovate all retail store locations, which started in 1999 and is targeted for completion by June 2003, we are introducing a contemporary environment in which to showcase our new product assortments. Our modernized store environment, as exemplified by our flagship store at 57(th) Street and Madison Avenue in Manhattan, has an open, loft-like feeling, with crisp white brick walls, ebony-stained wood floors and a timeless, uncluttered look.

Our merchandising team works in close collaboration with our licensing partners to ensure that our licensed products, such as watches, footwear, furniture and eyewear, are conceptualized and designed to address the intended market opportunity and convey the distinctive perspective and lifestyle associated with our brand. While our licensing partners employ their own designers, we oversee the development of their collection concepts and the design of licensed products. Licensed products are also subject to our quality control standards and we exercise final approval for all new licensed products prior to their sale.

MARKETING

Our marketing strategy is to deliver a consistent message every time the consumer comes in contact with our brand, through all of our communications and visual merchandising. Our image is created and executed internally by our creative marketing, visual merchandising and public relations teams, which helps ensure the consistency of the message.

In the U.S., we currently spend approximately \$14 million annually for national, regional and local advertising, primarily print and outdoor advertising, in support of our major selling seasons. In

Japan, we currently spend approximately \$1.5 million annually for advertising, primarily outdoor advertising at strategic locations, print advertising and advertorials all of which is funded by our distributors. Coach catalogs and COACH.COM also serve as effective brand communications vehicles, driving store traffic as well as direct to consumer sales. Our co-branding partners including Toyota, Lexus, Palm and Motorola, have together spent over \$24 million in advertising relating to our brand over the past four years, and through their programs have strengthened the Coach brand cache. Our licensees spend an additional \$4 million annually as part of an integrated campaign, which we control both in concept design and execution. In conjunction with promoting a consistent global image, we use our extensive customer database and consumer knowledge to target specific products and communications to specific consumers to stimulate sales across all distribution channels efficiently.

In addition to our advertising budget, we engage in a wide range of direct marketing activities, including catalogs and brochures, targeted to stimulate sales to consumers in their preferred shopping venue. As part of our direct marketing strategy, we use our database consisting of approximately seven million U.S. households. Catalogs are the principal means of communication and are sent to selected households to stimulate consumer purchases and build brand awareness. In addition, the growing number of visitors to our COACH.COM online store provides an opportunity to increase the size of our database and to communicate with consumers to increase on-line and physical store sales and build brand awareness. Approximately 1.8 million consumers have visited our e-commerce site since its launch. Our on-line store, like our catalogs and brochures, provides a showcase environment where consumers can browse through a strategic offering of our latest styles and colors.

We also have a sophisticated consumer and market research capability, which helps us assess consumer attitudes and trends and gauge likelihood of success in the marketplace prior to product introduction. We spend approximately \$2 million per year on consumer research and related expenses.

CHANNELS OF DISTRIBUTION

DIRECT TO CONSUMER

Over the past 20 years, we have augmented our wholesale business with the addition of significant direct to consumer distribution channels. We now have four different channels that provide us with immediate, controlled access to consumers: retail stores, e-commerce, direct mail and factory stores. Our direct to consumer business will represent approximately 64% of our total sales in fiscal year 2000, with the balance generated through our wholesale distribution channel.

RETAIL STORES. Our retail stores establish, reinforce and capitalize on the image of the Coach brand. We own and operate 106 retail stores in the U.S. that are located in upscale regional shopping centers and metropolitan areas. We operate six flagship stores, which offer the broadest assortment of our products, in high-visibility locations such as New York and San Francisco. Our average store size is approximately 1,900 square feet. The following table shows the number of our retail stores and their total square footage:

	AT END OF FISCAL YEAR		
	1998	1999	2000
Retail Stores.....	100	101	106
Retail Square Footage.....	190,503	193,994	201,744

Depending on their size and location, the stores present product lines that include handbags, business cases, wallets, footwear, watches, travel and related accessories. By June 2003, we expect to have remodeled all retail stores to our modern design, which creates a distinctive environment that showcases our various products. Store associates are trained to maintain high standards of

visual presentation, merchandising and customer service. The result is a complete statement at the retail level of our modern American style.

E-COMMERCE. We launched our e-commerce website, COACH.COM, in early October 1999 in anticipation of the holiday season. Although this business is relatively new, 1.8 million consumers have already visited the site, generating \$3.7 million in net sales to date. We believe we are positioned to support strong near-term growth, with a simple, clean user interface and, based upon our direct mail expertise, excellent order fulfillment capabilities. Like our catalogs and brochures, our on-line store provides a showcase environment where consumers can browse through a selected offering of our latest styles and colors.

DIRECT MAIL. We mailed our first Coach catalog in 1980. In the last fiscal year, we mailed at least one of our catalogs to 2.5 million strategically-selected households, primarily from our database. We view our catalogs as a key communications vehicle for the brand that also promotes store traffic. As an integral component of our communications strategy, the graphics, models and photography are upscale and modern and present the product in an environment consistent with our brand position. Our catalogs highlight selected products and serve as a reference for customers, whether ordering through the catalog, making in-store purchases or purchasing over the Internet.

FACTORY STORES. Our 63 factory stores serve as an efficient means to sell discontinued and irregular inventory outside our retail channels. These stores operate under the Coach Factory name and are geographically positioned in established centers that are usually greater than 100 miles from major markets. Our average store size is approximately 2,850 square feet. The following table shows the number of our factory stores and their total square footage:

	AT END OF FISCAL YEAR		
	1998	1999	2000
Factory Stores.....	62	62	63
Factory Square Footage.....	173,628	175,588	180,570

Coach's factory store design and service levels support and reinforce the brand's image. Prices are discounted from 15% to 50% below full retail prices. Through our factory stores, we primarily target value oriented customers who would not otherwise buy our brand.

INDIRECT CHANNELS

We began as a wholesaler to department and specialty retail stores. This distribution channel remains very important to our overall consumer reach. We have grown our wholesale business by working closely with our customers, both domestic and international, to ensure a clear and consistent product presentation. As part of our business transformation, selected shop-within-shop locations in major department stores are being renovated to achieve the same modern look and feel of our Coach retail stores. By the end of 2000, we expect to have renovated 40 U.S. department store locations. We expect to complete the renovation of approximately 50 international locations by June 2000.

U.S. WHOLESALE. Our products are currently sold in the U.S. at more than 1,400 wholesale locations. This channel represents approximately 27% of our total sales. Recognizing the continued importance of U.S. department and specialty stores as a distribution channel for premier accessories, we are strengthening our longstanding relationships with these key customers through our new products and styles and our renovation program. This channel offers access to Coach customers who prefer shopping at department and specialty stores or who live in geographic areas that are not large enough to support a Coach retail store. We occupy either the number one or two position in handbags, expressed in dollar share, for most of our U.S. wholesale customers. Our more significant U.S. wholesale customers include Dayton's (including Marshall Field's), Dillard's,

Federated (including Macy's, Bloomingdale's, Rich's/Lazarus, Burdine's, Bon Marche and Stern's), May Co. (including Lord & Taylor, Foley's, Hecht's, Kaufman's, Robinson's/May, Famous Barr, Filene's and Meier Frank), Nordstrom and Saks Inc.

INTERNATIONAL WHOLESAL. Our international business, which represents approximately 10% of total sales, is generated almost entirely through wholesale distributors and authorized retailers. We have developed relationships with a select group of distributors who market our products through specialty retailers, department stores, travel shopping locations, and freestanding Coach stores in 18 countries. Our current network of international distributors serves markets such as Japan, Australia, the Caribbean, Korea, Hong Kong and Singapore. We have created image enhancing environments in these locations to increase brand appeal and stimulate growth. Within the international arena, our primary focus continues to be the Japanese consumer. We target this consumer in Japan and in areas with significant levels of Japanese tourism. The importance of Japanese consumers is illustrated by a comparison of consumption levels: per capita spending on handbags in Japan is at least four times that in the U.S. Our more significant international wholesale customers include Dickson Concepts, Inc., Duty Free Shops, J. Osawa, Mitsukoshi and Unisia. The following table shows the number of international retail stores, international department store locations and other international locations at which our products are sold:

	AT END OF FISCAL YEAR		
	1998	1999	2000
International Retail Stores.....	17	16	16
International Department Store Locations.....	129	132	131
Other International Locations.....	20	20	25

BUSINESS TO BUSINESS. As part of the wholesale channel of distribution, we sell some of our products in selected military locations and through corporate incentive and gift-giving programs.

LICENSING. In our licensing relationships, we take an active role in the design process and control the marketing and distribution of products under the Coach brand. Our current licensing relationships are as follows:

CATEGORY	LICENSING PARTNER	INTRODUCTION DATE	TERRITORY	LICENSE EXPIRATION DATE
Watches	Movado	Spring '98	U.S. and Japan	2006
Footwear	Jimlar	Spring '99	U.S.	2008
Furniture	Baker	Spring '99	U.S. and Canada	2008
Eyewear	Signature	Spring '00	U.S. and Canada	2009

Products made under license are sold through all of the channels listed above and, with our approval, our licensees have the right to distribute Coach brand products selectively through several other channels: shoes in department store shoe salons, furniture through Baker's own showrooms, watches in jewelry stores and eyewear through selected prescription eyewear providers. Our licensing partners pay us royalties on their sales of Coach branded products. These new venues provide additional, yet controlled, exposure of our brand.

MANUFACTURING AND SOURCING

We have refined our production capabilities in coordination with the repositioning of our brand. By shifting our production from owned domestic facilities to lower cost sourced facilities, we can support a broader mix of product types, materials and a seasonal influx of new, more fashion-oriented styles. During fiscal year 2000, we anticipate that approximately 56% of our sales will be generated from products introduced within the fiscal year. At the same time, we help manage total

inventory and limit our exposure to excess and obsolete inventory by designating a large number of the new styles as "limited editions" that are planned to be discontinued and replaced with fresh new looks.

We have developed a flexible model to try to meet shifts in marketplace demand and changes in consumer preferences. We use three main sources to make our products: outsourcing with skilled partners, internal manufacturing and production by our licensing partners. All product sources must achieve and maintain our high quality standards, which are an integral part of the Coach identity. We monitor compliance with our quality control standards through on-site quality inspections at all Coach-operated or sourced facilities. One of our keys to success lies in the rigorous selection of raw materials. We have long-standing relationships with purveyors of fine leathers and hardware. As we have shifted more of our production to external sources, we require that these same raw materials are used in all of our products, wherever they are made.

We have expanded our sourcing capabilities to supply about 65% of our fiscal year 2000 non-licensed product needs from independent manufacturers, measured as a percentage of total units produced. We source from a variety of countries, including China, Costa Rica, Mexico, India, the Dominican Republic, Italy, Spain, Hungary and Turkey. We operate a European Sourcing and Product Development organization based in Florence, Italy which works closely with our New York-based design team. Our broad-based multi-country sourcing strategy is designed to optimize the mix of cost, lead times and construction capabilities. We carefully balance our sourcing commitments to a limited number of "better brand" partners with demonstrated integrity, quality and reliable delivery. No one vendor provides more than 20% of our total requirements. Before partnering with a vendor, Coach evaluates each facility by conducting a quality and business practice standards audit. Periodic evaluations of existing, previously-approved facilities are conducted on a random basis. We believe that all of our sourcing partners are in compliance with our integrity standards.

We currently operate two manufacturing facilities in leased facilities. Our 107,000 square foot Medley, Florida facility currently contributes approximately 13% of production. Our 66,000 square foot facility in Lares, Puerto Rico currently produces about 22% of our needs. We continue to evaluate the cost effectiveness of these facilities, as we expand North American Free Trade Agreement and Caribbean Basin Initiatives partners at a lower cost and with comparable quality assurance and leadtimes to market.

DISTRIBUTION

In July 1999, we consolidated our worldwide warehousing and distribution functions into one location in Jacksonville, Florida. This highly automated, computerized 560,000 square foot facility uses a bar code scanning warehouse management system. Our distribution center employees use handheld optical scanners to read product bar codes, which allows us to more accurately process and pack orders, track shipments, manage inventory and generally provide better service to our customers. Our products are primarily shipped via United Parcel Service and common carriers to our retail stores and wholesale customers and via UPS direct to consumers.

The average order processing time is 2.1 days. During our peak season in 1999, the second fiscal quarter, we shipped approximately 96% of all orders complete. Because of our 20 years of experience shipping orders to individual catalog customers, we believe we are well positioned to support the order fulfillment requirements of our growing business, especially business generated through our website.

MANAGEMENT INFORMATION SYSTEMS

The foundation of our information systems is our Enterprise Resource Planning system, referred to as an ERP system. Implemented in 1997, this fully integrated system supports all aspects of finance and accounting, procurement, inventory control, sales and store replenishment resulting in increased efficiencies, improved inventory control and a better understanding of consumer demand. The system functions as a central repository for all of our transactional information, resulting in increased efficiencies and greater inventory control. This system is fully scalable to accommodate rapid growth.

Complementing our ERP system are several other newly-implemented system solutions, each of which, we believe, is well-suited for our needs. Our data warehouse system summarizes our transaction information and provides a single platform for all management reporting. Our supply chain management system supports corporate sales and inventory functions, creating a monthly demand plan and reconciling production/procurement with financial plans. Product fulfillment is facilitated by our highly automated warehouse management system and electronic data interchange system, while the unique requirements of our catalog and Internet businesses are supported by our custom direct sales system. Finally, our point-of-sale system supports all in-store transactions, distributes management reporting to each store, and collects sales and payroll information on a daily basis. This daily collection of store sales and inventory information results in early identification of business trends and provides a detailed baseline for store inventory replenishment. All complementary systems are integrated with the central ERP system.

COMPETITION

We face intense competition in the product lines and markets in which we compete. Our products compete with other branded products within their product category and with private label products sold by retailers, including some of our customers. In our wholesale business, we compete with numerous manufacturers, importers and distributors of handbags, accessories and other products for the limited space available for the display of such products to the consumer. Moreover, the general availability of contract manufacturing capacity allows new entrants easy access to the markets in which we compete, which may increase the number of our competitors and adversely affect our competitive position and our business.

In varying degrees, depending on the product category involved, we compete on the basis of style, price, customer service, quality, and brand prestige and recognition, among other considerations. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing and other resources than us. However, we believe that we have significant competitive advantages because of our brand recognition and the acceptance of our brand name by consumers.

TRADEMARKS AND PATENTS

We own all of the material trademark rights used in connection with the production, marketing and distribution of all of our products, both in the U.S. and in the other countries in which our products are principally sold. We own and maintain worldwide registrations for trademarks in all relevant classes of products in each of the countries in which our products are sold. Our major trademarks include COACH, COACH AND LOZENGE design and COACH AND TAG design and we have applications pending for a proprietary "C" SIGNATURE FABRIC design. In addition, several of our products are covered by design patents or patent applications. We aggressively police our trademarks and trade dress, and pursue infringers both domestically and internationally. We also pursue counterfeiters domestically and internationally through leads generated internally, as well as through our network of investigators, the Coach hotline and business partners around the world.

EMPLOYEES

As of June 1, 2000, we had approximately 3,500 employees, approximately 425 of which were covered by collective bargaining agreements. Of the total, approximately 1,520 are engaged in retail selling and administration positions and approximately 1,500 are engaged in manufacturing, sourcing or distribution functions. The remaining employees are engaged in other aspects of our business. We believe that our relations with our employees are good, and we have never encountered a strike or significant work stoppage.

GOVERNMENT REGULATION

Many of our imported products are subject to existing or potential duties, tariffs or quotas that may limit the quantity of products that we may import into the U.S. and other countries or impact the cost of such products. To date, we have not been restricted by quotas in the operation of our business and customs duties have not comprised a material portion of the total cost of a majority of our products. In addition, we are subject to foreign governmental regulation and trade restrictions, including U.S. retaliation against certain prohibited foreign practices, with respect to our product sourcing and international sales operations.

LEGAL PROCEEDINGS

We are involved in various routine legal proceedings incident to the ordinary course of our business. We believe that the outcome of all pending legal proceedings in the aggregate will not have a material adverse effect on our business or financial condition.

PROPERTIES

The following table sets forth the location, use and size of our manufacturing, distribution and corporate facilities as of June 1, 2000, all of which are leased. The leases expire at various times through 2015, subject to renewal options.

LOCATION	USE	APPROXIMATE SQUARE FOOTAGE
- - - - -	---	-----
516 West 34(th) Street, New York	Corporate	140,000
Carlstadt, New Jersey	Corporate & Product Development	93,000
Jacksonville, Florida	Distribution & Customer Service	560,000
Medley, Florida	Manufacturing	107,000
Lares, Puerto Rico	Manufacturing	66,000
Florence, Italy	Product Development	16,000

We also occupy 106 retail and 63 factory leased retail stores located in the U.S. We consider our properties to be in good condition generally and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth information regarding each of our executive officers and directors as of June 1, 2000:

NAME ----	AGE ---	POSITION(S) -----
Lew Frankfort.....	54	Chairman, Chief Executive Officer and Director
Keith Monda.....	53	Executive Vice President, Chief Operating Officer and Director
David DeMattei.....	43	President, Retail Division
Reed Krakoff.....	36	President, Executive Creative Director
Richard Randall.....	62	Senior Vice President and Chief Financial Officer
Carole Sadler.....	40	Senior Vice President, General Counsel and Secretary
Felice Schulaner.....	39	Senior Vice President, Human Resources
Gary Grom.....	53	Director
Richard Oberdorf.....	47	Director

LEW FRANKFORT has served as Chairman and Chief Executive Officer of Coach since November 1995, and as Senior Vice President of Sara Lee since January 1994. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. Mr. Frankfort was appointed President and Chief Executive Officer of the Sara Lee Champion, Intimates & Accessories group in January 1994, and held this position through November 1995. From September 1991 through January 1994, Mr. Frankfort held the positions of Executive Vice President, Sara Lee Personal Products and Chief Executive Officer of Sara Lee Accessories. Mr. Frankfort was appointed President of Coach in July 1985, after Sara Lee acquired Coach, and held this position through September 1991. Mr. Frankfort joined Coach in 1979 as Vice President of New Business Development. Prior to joining Coach, Mr. Frankfort held various New York City government management positions and served as Commissioner, New York City Agency for Child Development. Mr. Frankfort holds a Bachelor of Arts degree from Hunter College and an MBA in Marketing from Columbia University.

KEITH MONDA was appointed Executive Vice President and Chief Operating Officer of Coach in June 1998. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. Prior to joining Coach, Mr. Monda served as Senior Vice President, Finance & Administration and Chief Financial Officer of Timberland Company from December 1993 until May 1996, and was promoted to, and held the position of, Senior Vice President, Operations from May 1996 until January 1998. From May 1990 to December 1993, Mr. Monda served as Executive Vice President, Finance and Administration of J. Crew. Mr. Monda holds Bachelor of Science and Master of Arts degrees from Ohio State University.

DAVID DEMATTEI joined Coach as President, Retail Division in July 1998. From June 1995 to April 1998, Mr. DeMattei served as Retail President of J. Crew, and from January 1994 to January 1995 he served as Chief Financial Officer of the Nature Company, a division of CML Group. From January 1993 to January 1994, he served as President of Banana Republic Retail Stores. From January 1983 through January 1993, Mr. DeMattei held various positions at Gap, Inc.,

including Chief Financial Officer. Mr. DeMattei holds a Bachelor of Science degree in Business Administration from the University of San Francisco.

REED KRAKOFF was appointed President, Executive Creative Director in September 1999 after joining Coach as Senior Vice President and Executive Creative Director in December 1996. Prior to joining Coach, Mr. Krakoff served as Senior Vice President, Marketing, Design & Communications from January 1993 until December 1996, and as Head Designer, Sportswear from April 1992 until January 1993 at Tommy Hilfiger USA, Inc. From July 1988 through April 1992, Mr. Krakoff served as a Senior Designer in Design and Merchandising for Polo/Ralph Lauren. Mr. Krakoff holds an A.A.S. degree in Fashion Design from Parsons School of Design and a Bachelor of Arts degree in Economics and Art History from Tufts University.

RICHARD RANDALL joined Coach as Senior Vice President and Chief Financial Officer in May 2000. Mr. Randall previously served as Senior Vice President and Chief Financial Officer of Lillian Vernon Corporation from September 1998 through April 2000. From October 1997 through March 1998, Mr. Randall served as Executive Vice President of Mondo, Inc. From 1979 through 1997, Mr. Randall served as Chief Financial Officer at Salant Corporation, Heron Communications, Chappell Music Publishers and Warner Cosmetics. Mr. Randall is a Certified Public Accountant and holds a Bachelor of Business Administration degree in accounting from City College of New York. Mr. Randall is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. In December 1998, fifteen months after his departure from Salant Corporation, Salant Corporation commenced bankruptcy proceedings which concluded in April 1999.

CAROLE SADLER has served as Senior Vice President, General Counsel and Secretary since May 2000. She joined Coach as Vice President, Chief Counsel in March 1997. From April 1991 until February 1997, Ms. Sadler was Vice President and Associate General Counsel of Saks Fifth Avenue. From September 1984 until March 1991, Ms. Sadler practiced law as a litigation associate in New York City, most recently at the firm of White & Case, and prior to that at Paskus Gordon & Mandel and Mound Cotton & Wollan. Ms. Sadler holds a Juris Doctor degree from American University, Washington College of Law, and a Bachelor of Arts degree, CUM LAUDE, in American Studies from Smith College.

FELICE SCHULANER joined Coach as Senior Vice President, Human Resources in January 2000. Prior to joining Coach, Ms. Schulaner served as Senior Vice President, Human Resources of Optimark Technologies from February 1999 through December 1999 and as Senior Vice President, Human Resources of Salant Corporation from July 1997 through February 1999. Ms. Schulaner was Vice President, Worldwide Recruitment & Selection at American Express from July 1996 until June 1997. From 1990 through 1996, she served in various other human resources positions at American Express, including Vice President, Human Resources Reengineering, and, from 1986 until 1990, Ms. Schulaner held human resources positions at Macy's Northeast in New York City. Ms. Schulaner holds a Bachelor of Arts degree from New College of the University of South Florida. In December 1998, Salant Corporation commenced bankruptcy proceedings which concluded in April 1999.

GARY GROM has served as Senior Vice President of Human Resources at Sara Lee since July 1992. He has served as a member of our board of directors since June 1, 2000, the date of our incorporation. From June 1985 until June 1992, Mr. Grom held various human resource positions at Sara Lee, including Senior Vice President of Sara Lee Packaged Meats and Executive Director of Compensation, Benefits and Manpower Planning. Mr. Grom holds a Bachelor of Science degree in Business Administration from the University of Wisconsin - LaCrosse.

RICHARD OBERDORF has served as Vice President of Business Growth and Development for Sara Lee since September 1997. He has served as a member of our board of directors since June 1,

2000, the date of our incorporation. From September 1994 to September 1997, Mr. Oberdorf served as Chief Financial Officer of Sara Lee Personal Products. From July 1987 to September 1994, Mr. Oberdorf held various positions at Sara Lee and its divisions, including Chief Financial Officer of Playtex and Sara Lee Personal Products Pacific Rim. Prior to joining Sara Lee, Mr. Oberdorf was Senior Tax Manager with Price Waterhouse. Mr. Oberdorf holds an Accounting degree from Georgetown University.

BOARD STRUCTURE AND COMPENSATION

In addition to the four directors who currently comprise our board of directors, we intend to name three additional outside directors who will be appointed to our board prior to the completion of this offering. We anticipate that all three of these additional outside directors will comprise our audit committee and our compensation and employee benefits committee.

Messrs. Grom and Oberdorf are both employees of Sara Lee. Each of Messrs. Grom and Oberdorf plan to resign as a member of our board at the time Sara Lee ceases to own a majority of our outstanding capital stock.

AUDIT COMMITTEE

Prior to the completion of this offering, we intend to establish an audit committee. Our audit committee will review our auditing, accounting, financial reporting and internal control functions and will make recommendations to the board of directors for the selection of independent accountants. In addition, the committee will review our accounting principles and financial reporting, our compliance with foreign trade regulations as well as the independence of and the non-audit services provided by our independent accountants. In discharging its duties, the audit committee will:

- review and approve the scope of the annual audit and the independent accountant's fees;
- meet independently with our internal auditing staff, our independent accountants and our senior management; and
- review the general scope of our accounting, financial reporting, annual audit and internal audit program, matters relating to internal control systems and the results of the annual audit.

COMPENSATION AND EMPLOYEE BENEFITS COMMITTEE

Prior to the completion of this offering, we intend to establish a compensation and employee benefits committee. Our compensation and employee benefits committee will determine, approve and report to the board of directors on all elements of compensation for our elected officers, including targeted total cash compensation and long-term equity based incentives.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

For our fiscal year ended July 3, 1999, we operated as a division of Sara Lee and had no board of directors and no compensation committee. The compensation and employee benefits committee of Sara Lee or properly authorized officers of Sara Lee made all compensation decisions with respect to our executive officers. After this offering, our compensation and employee benefits committee will make all compensation decisions regarding our executive officers. None of our executive officers will serve on the compensation committee or board of directors of any other company of which any of the members of our compensation and employee benefits committee or our board of directors is an executive officer.

DIRECTOR COMPENSATION

Directors who are Coach or Sara Lee employees receive no fees for their services as directors. Our non-employee directors will receive an annual retainer of \$30,000 and an annual grant of 5,000 options to purchase shares of our common stock. The exercise price of these options will equal the fair market value of our common stock on the date of grant. Non-employee directors can elect to receive common stock, options to purchase common stock, or a combination of common stock and options, in lieu of all or any portion of the \$30,000 annual retainer. In addition, non-employee directors may elect to defer part or all of their annual cash retainer under our Directors' Deferred Compensation Plan described below. Deferred amounts are invested in a stock equivalent account. Chairpersons of our board committees will receive an additional \$5,000 annually. At the time of the offering, we intend to grant an option to purchase 5,000 shares of our common stock, at the offering price, to each of our non-employee directors.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

All of our common stock is currently owned by Sara Lee, and thus none of our officers or directors own any of our common stock. To the extent our directors and officers own shares of Sara Lee common stock at the time Sara Lee effects any exchange or distribution of our common stock, our directors and officers will participate in the exchange or distribution on the same terms as other holders of Sara Lee common stock.

The following table sets forth the number of shares of Sara Lee common stock beneficially owned on June 1, 2000 by each director, each of the executive officers named in the Summary Compensation Table below and all of our directors and executive officers as a group. Except as otherwise noted, the individual director or executive officer or their family members has sole voting and investment power with respect to such stock. The total number of shares of Sara Lee common stock outstanding as of June 1, 2000 was 891,873,323.

NAME OF BENEFICIAL OWNER	SHARES OF SARA LEE BENEFICIALLY OWNED	
	NUMBER	PERCENTAGE
Lew Frankfort(1)	450,352	*
Keith Monda(2)	22,399	*
David DeMattei(3)	17,751	*
Reed Krakoff(4)	31,647	*
Carole Sadler(5)	8,000	*
Gary Grom(6)	524,863	*
Richard Oberdorf(7)	167,170	*
All directors and officers as a group (9 people)	1,222,182	*

* Less than 1%.

(1) Includes 375,873 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.

(2) Includes 16,666 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.

(3) Includes 16,666 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.

- (4) Includes 30,666 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.
- (5) Represents common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.
- (6) Includes 325,754 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.
- (7) Includes 131,503 shares of common stock that may be purchased within 60 days of June 1, 2000 pursuant to the exercise of options.

EXECUTIVE COMPENSATION

The following table sets forth compensation information for our chief executive officer and our four next most highly compensated executive officers for the year ended July 3, 1999. All information set forth in this table reflects compensation paid to these individuals by Sara Lee for services performed for the Coach business during the fiscal year ended July 3, 1999.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS		ALL OTHER COMPENSATION(2)
	SALARY	BONUS	OTHER ANNUAL COMPENSATION	RESTRICTED STOCK AWARDS(1)	NUMBER OF SECURITIES UNDERLYING OPTIONS	
Lew Frankfort Chairman and Chief Executive Officer	\$450,000	\$399,150	--	\$201,600	158,124	\$43,925
Keith Monda Executive Vice President and Chief Operating Officer	350,000	286,907	\$639,470(3)	100,800	50,000	5,347
David DeMattei President, Retail Division	425,000	515,308	--	144,000	50,000	3,013
Reed Krakoff President, Executive Creative Director	336,667	260,496	--	100,800	24,000	19,667
Carole Sadler Senior Vice President, General Counsel and Secretary	170,000	91,460	--	--	6,000	7,367

(1) Reflects the market value of restricted stock units on the date of grant. Market value was calculated based on \$24 per share and the following number of restricted stock units: Lew Frankfort, 8,400; Keith Monda, 4,200; David DeMattei, 6,000; and Reed Krakoff, 4,200. Dividends on the restricted stock units are escrowed during the three-year performance cycle. Dividends and interest on the escrowed dividends are distributed at the end of the performance cycle in the same proportion as the restrictions on the restricted stock units lapse. The restrictions lapse three years from the grant date if, and only to the extent that, certain performance goals or service requirements are met. To the extent the performance goals or service requirements are not attained, the restricted stock units, the escrowed dividends and interest will be forfeited.

(2) Includes payment by Sara Lee of the following amounts for life insurance on behalf of each of the executive officers above: \$15,853 for Lew Frankfort; \$5,347 for Keith Monda; \$3,013 for David DeMattei; \$1,467 for Reed Krakoff; and \$1,952 for Carole Sadler. Includes Sara Lee's contributions under its employee stock ownership plan and supplemental retirement benefit plan of the following amounts on

behalf of the following executive officers contained in the table above:
 \$28,072 for Lew Frankfort; \$18,200 for Reed Krakoff; and \$5,415 for Carole Sadler.

(3) Consists of a \$639,470 relocation allowance paid to Mr. Monda.

The following table shows all grants of options to acquire shares of Sara Lee common stock made to the executive officers named above in the Summary Compensation Table during the fiscal year ended July 3,1999.

SARA LEE OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO SARA LEE EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SARA LEE SHARE(1)	EXPIRATION DATE	POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(2)	
					5%	10%
Lew Frankfort.....	60,000	*	\$24.03	August 2008	\$907,682	\$2,300,789
	21,214(3)	*	28.22	August 2005	237,879	552,224
	26,046(3)	*	28.22	August 2006	343,128	818,498
	50,864(3)	*	28.22	August 2007	775,351	1,901,784
Keith Monda.....	50,000	*	24.03	August 2008	756,402	1,917,324
David DeMattei.....	50,000	*	24.03	August 2008	756,402	1,917,324
Reed Krakoff.....	24,000	*	24.03	August 2008	363,073	920,315
Carole Sadler.....	6,000	*	24.03	August 2008	90,768	230,079

* Less than .01%. The total options granted by Sara Lee in fiscal 1999 was 17,172,000.

- (1) Exercise price equals 100% of the fair market value of the common stock on the date of grant. Each option expires 10 years after the grant date, other than Mr. Frankfort's restoration stock options described in more detail in footnote (3) below. The options generally become exercisable in three equal annual installments, on the first three anniversary dates of the date of grant. No option may be exercised until the expiration of one year from the date of grant. In the event of a change in control of Sara Lee, the compensation and employee benefits committee of Sara Lee may provide for appropriate adjustments, including acceleration of the vesting period.
- (2) Potential realizable values are net of exercise price, but before deduction of taxes associated with exercise. A zero percent gain in stock price will result in zero dollars for the optionee. The dollar amounts indicated in these columns are the result of calculations assuming growth rates required by the rules of the Securities and Exchange Commission. These growth rates are not intended to forecast future appreciation, if any, of the price of Sara Lee common stock.
- (3) These are restoration stock options, which are granted when an executive exercises an existing option by surrendering Sara Lee common stock. The grant of a restoration stock option upon the exercise of an existing option is intended to promote increased employee share ownership by encouraging the early exercise of existing options. The grant of a restoration stock option does not result in an increase in the total combined number of shares and options held by an employee.

The following table shows aggregate exercises of options to purchase Sara Lee common stock made during the fiscal year ended July 3, 1999 by the executive officers named above in the Summary Compensation Table.

AGGREGATED SARA LEE OPTION EXERCISES
AND FISCAL YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL-YEAR-END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR-END(1)	
			EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Lew Frankfort.....	121,002	\$1,275,586	253,456	253,336	\$15,102	\$478,339

(1) Options are "in-the-money" at fiscal year-end if the market value of the underlying securities on that date exceeds the exercise price of the options. The amounts set forth represent the difference between the closing price of Sara Lee common stock of \$22.50 on the New York Stock Exchange on July 3, 1999, less the option exercise price payable for those shares.

SEVERANCE POLICY

Sara Lee has a severance policy for all corporate officers which covers fiscal year 2000. Upon the consummation of this offering, Coach intends to adopt its own severance policy and Coach employees will no longer be covered by Sara Lee's severance policy. Sara Lee's policy provides that if an officer's employment is terminated without cause, the officer will receive from 12 to 24 months of salary as severance payments. The amount of actual severance payments depends on the officer's position, length of service and age. Under this policy, officers also receive a partial payment under the incentive plans applicable to the fiscal year in which the termination occurs. The terminated officer's participation in Sara Lee's insurance plans, except for disability insurance (which ends on the date of termination of employment), will continue for the same number of months for which he or she is receiving severance payments. Severance payments terminate if the terminated officer becomes employed by a competitor of Sara Lee.

RETIREMENT PLANS

The following table shows the approximate annual pension benefits payable upon retirement under Sara Lee's qualified pension plan, as well as a nonqualified supplemental benefit plan. Executive officers of Coach are eligible to participate in Sara Lee's retirement plans until the earlier of the date that Sara Lee effects an exchange or other distribution of the Coach common stock that it owns or until Coach adopts its own retirement plans. The compensation covered by Sara Lee's pension plans is based on an employee's annual salary and bonus. The amounts payable under the pension plans are computed on the basis of a straight-life annuity and are not subject to deduction for Social Security benefits or other amounts. Under the supplemental benefit plan, accrued benefits having a present value exceeding \$100,000 for participants age 55 and older and \$300,000 for participants who have not yet attained the age of 55 are funded with periodic payments by Sara Lee to individual trusts established by the participants.

ESTIMATED ANNUAL NORMAL RETIREMENT PENSION
BASED UPON THE INDICATED CREDITED SERVICE

FINAL AVERAGE COMPENSATION	10 YEARS	15 YEARS	25 YEARS	35 YEARS
\$ 300,000	\$ 52,500	\$ 78,750	\$131,250	\$183,750
350,000	61,250	91,875	153,125	214,375
400,000	70,000	105,000	175,000	245,000
450,000	78,750	118,125	196,875	275,625
500,000	87,500	131,250	218,750	306,250
600,000	105,000	157,500	262,500	367,500
750,000	131,250	196,875	328,125	459,375
1,000,000	175,000	262,500	437,500	612,500

As of June 1, 2000, the executive officers had the following years of credited service under the pension plans: Lew Frankfort, 14 years and 10 months; Keith Monda, one year and 11 months; David DeMattei, one year and 10 months; Reed Krakoff, three years and five months; and Carole Sadler, three years and two months.

STOCK OWNERSHIP GUIDELINES FOR EXECUTIVE OFFICERS

Our board of directors believes that the interests of our executive officers and other senior management will be more closely aligned with the interests of our stockholders if our executive officers and other senior management hold a significant investment in our common stock. To ensure significant stock ownership, our board of directors has adopted stock ownership guidelines that encourage 26 of our employees, at the vice president level and above, to own a specified number of our securities. The ownership guidelines range from 150,000 shares for our Chief Executive Officer to 20,000 shares for each of our Vice Presidents. At the anticipated initial public offering price of \$, our Chief Executive Officer will be required to hold common stock with a value of at least \$. Employees who are subject to the stock ownership guidelines will have several years to achieve compliance. Shares covered by deferred stock units and shares allocated under our 401(k) plan or other benefit plans will count towards compliance with the stock ownership guidelines.

To facilitate our executives' achievement of our stock ownership guidelines, we intend to offer to selected executive employees options to purchase up to an aggregate of shares of our common stock, subject to the surrender and cancellation of previously granted options to purchase shares of Sara Lee common stock. The number and exercise prices of these Coach options will be determined in a manner meant to reflect the difference between the fair market values of Sara Lee common stock and Coach common stock on the date of the consummation of this offering. The Coach options will maintain the same vesting and exercise provisions as the Sara Lee options surrendered and cancelled. However, the Coach options will not be exercisable until the earlier of one year after this offering or the date on which Sara Lee ceases to own a majority of our capital stock; provided that in no event will these options be exercisable within six months of this offering. Sara Lee restricted stock units previously granted to these executive employees also may be converted into Coach restricted stock units, which will retain the same service-based vesting requirements.

TREATMENT OF SARA LEE OPTIONS AND RESTRICTED STOCK UNITS UPON AN EXCHANGE OR OTHER DISTRIBUTION

We intend to assume any remaining Sara Lee options held by our employees on the date of any exchange or other distribution of our common stock by Sara Lee and convert them into equivalent Coach options. As of June 1, 2000, our employees held options to purchase _____ shares of Sara Lee common stock, excluding options held by the selected executive employees who are entitled to surrender their Sara Lee options and receive Coach options when this offering is completed.

Under several Sara Lee long-term performance or restricted stock plans, some of our key employees were granted restricted stock unit awards. As of June 1, 2000, our employees held _____ unvested Sara Lee performance-based restricted stock units and _____ unvested Sara Lee service-based restricted stock units. At the time of the offering, we intend to offer to selected executive employees the right to surrender their Sara Lee service-based restricted stock units and receive Coach service-based restricted stock units that have the same vesting requirements. Sara Lee performance-based restricted stock units will not be eligible for conversion at the time of this offering. If Sara Lee effects an exchange or distribution of its Coach shares prior to expiration of the vesting cycle applicable to the outstanding Sara Lee restricted stock units, all of the unvested Sara Lee restricted stock units automatically will convert at the time of the exchange or distribution into Coach restricted stock units.

2000 STOCK INCENTIVE PLAN

Our board of directors adopted the 2000 Stock Incentive Plan, referred to as the 2000 Plan, in _____, 2000, and we intend to obtain the approval of the 2000 Plan from our sole shareholder, Sara Lee, prior to the completion of this offering. The 2000 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights and other stock awards to our employees and non-employee directors.

NUMBER OF SHARES OF COMMON STOCK AVAILABLE UNDER THE 2000 PLAN. A total of _____ shares of our common stock have been reserved for issuance pursuant to the 2000 Plan. No options to acquire shares of common stock or other awards have been issued as of June 1, 2000; however, in connection with this offering, we intend to grant to our employees options to purchase approximately _____ shares of our common stock at the initial offering price. None of these options will be exercisable for one year after this offering. The number of shares of common stock available under the 2000 Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends). Any awards under the 2000 Plan that are made as a result of conversion by our employees of outstanding awards administered under the 2000 Plan, or in connection with our acquisition, will not reduce the number of shares available for issuance under the 2000 Plan.

ADMINISTRATION OF THE 2000 PLAN. The compensation and employee benefits committee of our board of directors will administer the 2000 Plan. Until Sara Lee effects an exchange or other distribution of the Coach common stock it owns, we have agreed to adopt procedures satisfactory to Sara Lee to ensure that the issuance of shares of our common stock under the 2000 Plan will not cause Sara Lee's ownership of our common stock to fall below 80%, which is necessary to preserve the tax-free status of such a transaction. Under these procedures, we may be required to repurchase shares of our common stock on the open market as options are exercised. In the case of any award under the 2000 Plan intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, our compensation and employee benefits committee will consist solely of two or more "outside

directors" within the meaning of Section 162(m) of the Code. Our committee has the power to determine the terms of the awards granted, including the exercise price, the number of shares subject to each option, the exercisability of the options and the form of consideration payable upon exercise.

OPTIONS. The exercise price of all options granted under the 2000 Plan will be at least equal to the fair market value of our common stock on the grant date; provided, that options granted upon the involuntary conversion of our employees' Sara Lee options or in connection with the acquisition of a business may be granted with a purchase price that is intended to preserve the economic value of the option being replaced, but not less than the exercise price of the Sara Lee option that was converted. The committee may grant options that provide for the grant of a restoration option. If a person exercises an option that contains a restoration option provision and pays the exercise price by tendering shares of our common stock to us, or satisfies the minimum tax-withholding obligations by authorizing us to withhold shares that would be granted under the option, the person exercising the option may receive a restoration option for the number of shares tendered or withheld. The committee determines all other terms of options.

No optionee may be granted an option to purchase more than _____ shares over the term of the 2000 Plan, except that in the calendar year that an optionee begins service as the Chief Executive Officer, the optionee may be granted options to purchase up to 500,000 shares. Neither of these limits will include restoration options. The number of shares for which restoration options may be granted to any optionee in any calendar year may not exceed 500,000 shares.

After termination of employment or service as a director, an optionee may exercise a vested option for the period of time stated in the option agreement. Generally, if termination is due to (1) death or disability, vesting accelerates and the option will remain exercisable until the earlier of its expiration date or 5 years, (2) retirement, vesting continues and the option will remain exercisable until its expiration date, (3) involuntary termination under which severance benefits are payable, a vested option will remain exercisable until the earlier of its expiration date or 90 days after the last day of the period for which severance benefits are payable, or (4) cause, the option will terminate in its entirety on the date of termination. In all other cases, a vested option will generally remain exercisable for 90 days; however, an option may never be exercised later than the expiration of its term. Certain officers and employees may be required to repay all financial gains realized from exercising all or a portion of an option within the six-month period preceding certain conduct that is contrary or harmful to our interests, such as accepting employment with one of our competitors.

STOCK APPRECIATION RIGHTS. All stock appreciation rights, or SARs, granted under the 2000 Plan generally represent a right to receive payment, in cash, stock, or a combination of cash and stock, equal to the excess of the fair market value of a specified number of shares of common stock on the exercise date over the fair market value of such shares on the grant date.

STOCK AWARDS. A stock award granted under the 2000 Plan represents an award made in or valued in whole or in part by reference to shares of common stock and may be payable in whole or in part in stock. The committee determines the conditions and restrictions of all stock awards granted under the 2000 Plan. No more than 20% of the shares reserved for issuance under the 2000 Plan may be issued as a stock award.

PAYMENT DEFERRALS. The committee may require or permit an optionee to defer the receipt of shares or cash or other property upon settlement of awards. The committee may also allow the payment or crediting of earnings on deferred amounts.

TRANSFERABILITY OF OPTIONS, SARs AND STOCK AWARDS. The 2000 Plan generally does not allow for the transfer of options, SARs or stock awards other than by will or the laws of descent and

distribution pursuant to approved beneficiary designation procedures. Only the employee may exercise his or her options during his or her lifetime.

ADJUSTMENTS IN CONNECTION WITH A CHANGE IN CONTROL. In contemplation of or in the event of a change in control, the committee may provide for appropriate adjustments, including the acceleration of vesting and the settlement or substitution of awards. If a change of control occurs prior to the time Sara Lee effects an exchange or distribution of our common stock, one-half of all unvested options will vest automatically. Any exchange or distribution of our common stock by Sara Lee should not constitute a change in control.

AMENDMENT OF THE 2000 PLAN. Our board of directors has the authority to amend, suspend or terminate the 2000 Plan, provided it does not adversely affect any award previously granted under our 2000 Plan without the affected award holder's consent.

EXECUTIVE DEFERRED COMPENSATION PLAN

In June 2000, our board of directors adopted the Executive Deferred Compensation Plan, referred to as the Deferred Compensation Plan. The Deferred Compensation Plan has been approved by our sole stockholder, Sara Lee. The Deferred Compensation Plan is not a tax-qualified retirement plan. The Deferred Compensation Plan is a plan that permits all officers and key employees at or above the director level to elect to defer all or a portion of their annual bonus or annual base salary. A participant may also elect to transfer his or her deferrals under the Sara Lee Executive Deferred Compensation Plan to the Deferred Compensation Plan. All amounts deferred under the Deferred Compensation Plan are represented by deferred stock units, which represent the right to receive shares of our common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant. No participant may elect a date for payment of deferred amounts that is sooner than one year after the date this offering is completed.

PERFORMANCE-BASED ANNUAL INCENTIVE PLAN

Our board of directors adopted the Performance-Based Annual Incentive Plan, referred to as the Annual Plan, in , 2000, and we intend to obtain the approval of the Annual Plan from our sole stockholder, Sara Lee, prior to the completion of this offering. The Annual Plan is intended to provide certain key executives with annual incentive compensation that is tied to the achievement of pre-established and objective performance goals. The compensation and employee benefits committee of our board administers the Annual Plan. In the case of awards intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code, the committee will consist solely of two or more "outside directors" within the meaning of Section 162(m) of the Code. Under the Annual Plan, each participant is eligible to receive a predetermined annual award established by the compensation and employee benefits committee, which award may not exceed \$1.0 million, if the performance goal has been satisfied.

2000 NON-EMPLOYEE DIRECTOR STOCK PLAN

Our board of directors adopted the 2000 Non-Employee Director Stock Plan, referred to as the Director Plan, on , 2000, and we intend to obtain the approval of the Director Plan from our sole stockholder, Sara Lee, prior to the completion of this offering.

ADMINISTRATION. The compensation and employee benefits committee of our board of directors will administer the Director Plan. Until Sara Lee effects an exchange or other distribution of the Coach common stock it owns, we have agreed to adopt procedures satisfactory to Sara Lee to ensure that the issuance of shares of our common stock under the Director Plan will not cause

Sara Lee's ownership of our common stock to fall below 80%, which is necessary to preserve the tax-free status of such a transaction. Under these procedures, we may be required to repurchase shares of our common stock on the open market as options are exercised.

NUMBER OF SHARES AVAILABLE UNDER THE DIRECTOR PLAN. As of _____, 2000, the aggregate number of shares reserved for options and share awards under the Director Plan was _____, and no options to acquire shares or other awards were issued and outstanding as of that date. In any fiscal year, the aggregate number of shares that will be available for awards under the Director Plan will be one-tenth of one percent (.1%) of the outstanding shares of common stock as of the last day of the immediately preceding fiscal year. The number of shares of common stock available under the Director Plan will be proportionately adjusted in the event of any stock dividend, stock split, combination or exchange of securities, merger, consolidation, recapitalization, spin-off or other distribution (other than normal cash dividends).

ELECTION FOR DIRECTORS FEES. Non-employee directors may elect to receive all or any portion of their annual directors fees in the form of either options or stock or a combination of options or stock.

OPTIONS. Each non-employee director will receive an annual option retainer consisting of 5,000 options on the last regularly scheduled meeting of the board held in October in each year beginning in October 2000. A restoration option may be granted if a director pays the purchase price upon exercise of an option by surrendering shares.

All options granted under our Director Plan have a term not longer than 10 years and an exercise price equal to the fair market value of our common stock on the date of grant. Each option becomes exercisable six months after the option grant date; provided that no option may be exercised until the earlier of one year following this offering and the date that Sara Lee effects an exchange or other distribution of the Coach common stock it owns. After termination of services as a non-employee director, an optionee may exercise the vested portion of his or her option through the expiration of its term.

STOCK AND OPTIONS IN LIEU OF FEES. We will deliver to each non-employee director who elects to receive stock in lieu of fees the number of shares equal to the portion of the annual directors fees elected to be invested in shares divided by the fair market value per share on the award date. Shares to be paid in respect of, and prior to, the one-year period beginning on the first November 1 after such election will not be transferred to the non-employee director until immediately after the first annual meeting of stockholders held after the date of such award. The amount of dividends that would otherwise be paid on such shares will be held by Coach until immediately after that annual meeting. Any undelivered shares and dividend equivalents will be forfeited if the non-employee director is not elected a director of Coach at that annual meeting. We will deliver to each non-employee director who elects to receive options in lieu of fee the number of shares equal to (a) three times the portion of the annual directors fees elected to be paid in the form of an option, divided by (b) the fair market value per share on the option grant date.

TRANSFERABILITY OF OPTIONS. A non-employee director generally may not transfer options granted to him or her under our Director Plan other than by will or the laws of descent and distribution. Only an optionee may exercise his or her options during his or her lifetime.

ADJUSTMENTS IN CONNECTION WITH A CHANGE IN CONTROL. In contemplation of or in the event of a change in control, the administrator may provide for appropriate adjustments (including acceleration of vesting and settlements of or substitutions for awards either at the time an award is granted or at a subsequent date). In the event of a change in control, all outstanding options shall be immediately vested and exercisable and all shares and dividend equivalents not yet transferred to

the non-employee director will be immediately transferred to the non-employee director. Any exchange or distribution of our common stock by Sara Lee should not constitute a change in control.

AMENDMENT AND TERMINATION OF THE DIRECTOR PLAN. Our board of directors has the authority to amend or terminate the Director Plan at any time, provided it does not adversely affect any award previously granted under our Director Plan without the affected non-employee director's consent.

DIRECTORS' DEFERRED COMPENSATION PLAN

Our board of directors adopted the Directors' Deferred Compensation Plan in , 2000, and we intend to obtain the approval of the Director's Deferred Compensation Plan from our sole stockholder, Sara Lee, prior to the completion of this offering. This plan is not a tax-qualified retirement plan. The Directors' Deferred Compensation Plan is a plan that permits non-employee directors to elect to defer all or a portion of their annual directors fees that are otherwise payable in cash. Amounts deferred under the Directors' Deferred Compensation Plan are invested in a stock account. All investments in the stock account are invested in common stock equivalents, which represent the right to receive the company's common stock on the distribution date elected by the participant, and are paid in common stock on the distribution date elected by the participant. No participant may elect a date for payment of deferred amounts that is sooner than one year after the date this offering is completed.

ARRANGEMENTS BETWEEN SARA LEE AND COACH

THE FOLLOWING DESCRIPTION OF THE MASTER SEPARATION AGREEMENT AND KEY RELATED AGREEMENTS IS ONLY A SUMMARY. FOR COMPLETE INFORMATION, YOU SHOULD READ THE FULL TEXT OF THESE AGREEMENTS, WHICH HAVE BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION AS EXHIBITS TO THE REGISTRATION STATEMENT OF WHICH THIS PROSPECTUS IS A PART.

MASTER SEPARATION AGREEMENT

The master separation agreement contains the key provisions relating to our separation from Sara Lee, this offering and Sara Lee's plans to complete its divestiture of Coach within 18 months of this offering through an exchange or other distribution of all or a significant portion of its shares of our common stock.

THE SEPARATION. The separation will occur before the completion of this offering. Under the separation agreement, Sara Lee will transfer assets and liabilities to us related to our business, including our allocable portion of Sara Lee indebtedness in the form of a note payable to a Sara Lee subsidiary. The transfer will occur on the separation date. In addition to the separation agreement, there are a number of ancillary agreements which detail the separation and various interim and ongoing relationships between Sara Lee and Coach following the separation. These include:

- a general assignment and assumption agreement;
- an employee matters agreement;
- a tax sharing agreement;
- a master transitional services agreement;
- a real estate matters agreement; and
- an indemnification and insurance matters agreement.

To the extent that the terms of any of these ancillary agreements conflict with the separation agreement, the terms of these agreements will govern. The material terms of these agreements are described more fully below.

THE INITIAL PUBLIC OFFERING. The parties are obligated to use their reasonable efforts to satisfy the following conditions to the consummation of this offering, any of which may be waived by Sara Lee:

- the registration statement containing this prospectus must be effective and no stop-order shall be in effect with respect to the registration statement;
- state securities and blue sky laws must be satisfied;
- our common stock must be listed on the New York Stock Exchange;
- all our obligations under the underwriting agreement must be met or waived by the underwriters;
- Sara Lee must own at least 80.1% of our outstanding common stock following this offering;
- no legal restraints may exist preventing the separation, this offering or any other transaction contemplated by the separation agreement;
- the separation must have occurred; and
- the separation agreement must not have been terminated.

THE EXCHANGE OR OTHER DISTRIBUTION. Sara Lee currently is planning to effect an exchange or other distribution of all or a significant portion of its shares of our common stock within 18 months of this offering, although the timing of the exchange or other distribution has not been finally determined. Sara Lee is not obligated to complete any exchange or other distribution, and we cannot assure you as to whether, when or how it will occur. Sara Lee, in its sole and absolute discretion, will determine the date of any exchange or other distribution and the timing, terms and conditions of the exchange or other distribution. We agree to take all action reasonably requested by Sara Lee to facilitate the exchange or other distribution.

COVENANTS BETWEEN SARA LEE AND COACH. We have agreed with Sara Lee to exchange information, engage in auditing practices, not take any action that would jeopardize Sara Lee's ownership of over 80% of our outstanding stock at any time prior to Sara Lee's exchange or other distribution of our common stock and resolve disputes in a particular manner. We have also agreed to maintain the confidentiality of certain information, preserve available legal privileges and engage in certain routine environmental and safety practices consistent with laws and in accordance with Sara Lee's environmental management system.

INFORMATION EXCHANGE. Both parties have agreed to share information relating to governmental, accounting, contractual and other similar requirements of our ongoing businesses, unless the sharing could be commercially detrimental, violate any law or agreement or waive any attorney-client privilege. In furtherance of this covenant, both parties have agreed as follows:

- Each party has agreed to maintain adequate internal accounting systems and controls to allow the other party to satisfy its own reporting obligations and prepare its own financial statements.
- Each party will retain records beneficial to the other party for a specified period of time. If the records are going to be destroyed, the destroying party will give the other party an opportunity to retrieve all relevant information from the records, unless the records are destroyed in accordance with adopted record retention policies.
- Each party will use commercially reasonable efforts to provide the other party with directors, officers, employees, other personnel and agents who may be used as witnesses in and books, records and other documents which may reasonably be required in connection with legal, administrative or other proceedings.

AUDITING PRACTICES. So long as Sara Lee is required to consolidate our results of operations and financial position, we have agreed to:

- not select a different independent accounting firm from that used by Sara Lee without Sara Lee's consent;
- use commercially reasonable efforts to enable our auditors to date their opinion on our audited annual financial statements on or before the same date as Sara Lee's auditors date their opinion on Sara Lee's financial statements;
- not change our fiscal year;
- exchange all relevant information needed to prepare financial statements;
- grant each other's internal auditors access to each other's records and to members of management; and
- notify each other of any change in accounting principles.

SARA LEE'S OWNERSHIP OF OVER 80% OF OUR COMMON STOCK. We have agreed with Sara Lee that, from the separation date until the date of any exchange or other distribution of all or a significant portion of our common stock by Sara Lee, we will not take any action, such as issuing stock, that would cause Sara Lee to no longer own over 80% of our outstanding stock. We may, however, issue stock options and restricted stock awards, provided we give prior written notice to Sara Lee and obtain Sara Lee's prior consent, and provided we repurchase sufficient amounts of our stock in open market transactions before such options are exercisable or such restricted stock is awarded so that Sara Lee will continue to own over 80% of our outstanding stock.

DISPUTE RESOLUTION. If a dispute arises with Sara Lee, we have agreed to the following procedures:

- the senior executives of Coach and Sara Lee will first make a good faith effort to resolve the dispute through negotiation; and
- if negotiations fail, the parties will attempt to resolve the dispute through mediation.
- If mediation fails, the parties can resort to final and binding arbitration. By agreeing to arbitration, the parties do not intend to deprive any court of its jurisdiction to award a pre-arbitral injunction, pre-arbitral attachment or other order in aid of arbitration proceedings and the enforcement of any award.

NO REPRESENTATIONS AND WARRANTIES. Sara Lee is not making any promises to us regarding:

- the value of any asset that Sara Lee is transferring;
- whether there is a lien or encumbrance on any asset Sara Lee is transferring;
- the absence of defenses with respect to any claims to be transferred; or
- the legal sufficiency of any conveyance of title to any asset Sara Lee is transferring.

NO SOLICITATION. Each party has agreed not to directly solicit or recruit employees of the other party without the other party's consent for two years after the separation date. However, this prohibition does not apply to general recruitment efforts carried out through public or general solicitation or where the solicitation is employee-initiated.

SARA LEE'S REGISTRATION RIGHTS. We have agreed to use our best efforts to effect up to three demand registrations under the applicable federal and state securities laws of the shares of our common stock held by Sara Lee, if requested by Sara Lee. Sara Lee may request no more than one demand registration in any calendar year. We have also granted Sara Lee the right to include its shares of our common stock in other registrations of our common equity securities initiated by us or on behalf of our other stockholders. We agree to pay all costs and expenses in connection with each registration of our common stock requested by Sara Lee or in which Sara Lee participates. Each party has agreed to indemnify each other and any underwriters on standard terms, including for liability under federal securities laws.

EXPENSES. We will bear the costs and expenses associated with this offering and Sara Lee will bear the costs and expenses associated with any exchange or other distribution of our common stock by Sara Lee. We will bear any costs and expenses associated with any audit of our financial statements required by any exchange or other distribution. We will each bear our own internal costs incurred in consummating all of these transactions.

TERMINATION OF THE AGREEMENT. Sara Lee in its sole discretion can terminate the separation agreement and all ancillary agreements and abandon this offering at any time prior to the closing of this offering. Both parties must agree to terminate the separation agreement and all ancillary

agreements at any time between the closing of this offering and any exchange or other distribution of all or a significant portion of our common stock.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The general assignment and assumption agreement identifies the assets Sara Lee will transfer to us and the liabilities we will assume from Sara Lee in the separation. The agreement also describes when and how these transfers and assumptions will occur.

ASSET TRANSFER. Effective on the separation date, Sara Lee will transfer to us inventory and other assets related to our business, to the extent that the inventory and assets were, prior to the separation date, Sara Lee assets.

ASSUMPTION OF LIABILITIES. Effective on the separation date, we will assume from Sara Lee liabilities, to the extent that these liabilities were, prior to the separation date, liabilities of Sara Lee related to our business and except as provided in other ancillary agreements. The liabilities that we assume will also include our allocable portion of indebtedness of Sara Lee in the form of a note payable to a Sara Lee subsidiary.

EXCLUDED LIABILITIES. The general assignment and assumption agreement also provides that we will not assume specified liabilities, including any liabilities that would otherwise be allocated to us but which are covered by Sara Lee's insurance policies, unless we are a named insured under such policies.

DELAYED TRANSFERS. If it is not practicable to transfer specified assets and liabilities, such as the outstanding capital stock of our subsidiaries, on the separation date, the agreement provides that these assets and/or liabilities will be transferred after the separation date.

TERMS OF OTHER ANCILLARY AGREEMENTS GOVERN. If another ancillary agreement expressly provides for the transfer of an asset or an assumption of a liability, the terms of the other ancillary agreement will determine the manner of the transfer and assumption.

OBTAINING APPROVALS AND CONSENTS. The parties agree to use all commercially reasonable efforts to obtain any required consents, substitutions or amendments required to novate or assign all rights and obligations under any contracts that will be transferred in the separation.

NONRECURRING COSTS AND EXPENSES. Any nonrecurring costs and expenses that are not allocated in the separation agreement or any other ancillary agreement shall be the responsibility of the party that incurs the costs and expenses.

EMPLOYEE MATTERS AGREEMENT

The employee matters agreement allocates to us certain assets, liabilities and responsibilities relating to our current and former employees. The agreement also provides for our employees' continued participation in some of the benefit plans that Sara Lee currently sponsors. Pursuant to this agreement, we have assumed and agreed to pay, perform and fulfill all obligations relating to our employees arising out of their present or future employment with us and their prior employment with Sara Lee relating to our business.

All of our employees will continue to participate in the Sara Lee sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan, on terms comparable to those for Sara Lee employees until the earlier of an exchange or other distribution by Sara Lee of our common stock or until we establish our own benefit plans for our employees. We intend to establish our own benefit programs no later than the time of any exchange or other distribution by Sara Lee.

Once we establish our own benefits plans, we may modify or terminate each plan in accordance with the terms of that plan and our policies. None of our benefit plans will provide benefits that overlap benefits provided by the corresponding Sara Lee benefit plan, if any. Each of our benefit plans will provide that all service, compensation and other benefit determinations that were recognized under the corresponding Sara Lee benefit plan will be taken into account under that Coach benefit plan.

Assets relating to the employee liabilities that we assume will be transferred to us or our related plans and trusts from trusts and other funding vehicles associated with Sara Lee's benefit plans.

TAX SHARING AGREEMENT

The tax sharing agreement allocates responsibilities for tax matters between Coach and Sara Lee. Until the date Sara Lee effects an exchange or other distribution of all of our common stock that it owns, Sara Lee is responsible for preparing and filing all consolidated, combined and unitary tax returns that include us and our subsidiaries, as well as our separate federal or state income tax returns. We have the right to review and comment on the tax returns that Sara Lee files on our behalf, but Sara Lee has the exclusive right to determine the manner in which such tax returns are prepared, including the elections, method of accounting, positions, conventions and principles of taxation to be used. Except with respect to separate federal and state income tax returns, we are responsible for preparing and filing any tax returns that include only us and our subsidiaries.

The tax sharing agreement requires us to pay Sara Lee the incremental tax costs of our inclusion in consolidated, combined and unitary tax returns. In the case of a consolidated federal income tax return, the amount we owe Sara Lee will be computed as if we had filed our own separate, consolidated federal income tax return for us and our subsidiaries. The tax sharing agreement requires Sara Lee to compensate us for some, but not all, of the tax benefits that Sara Lee may derive from our inclusion in its consolidated federal income tax return. In the case of a unitary, combined or consolidated state income tax return, the amount we owe Sara Lee generally will be determined by comparing the amount of the group tax liability including us on the return with the amount of the group tax liability excluding us from the return. The tax sharing agreement also provides that any refunds or deficiencies resulting from a redetermination of our tax liability for periods during which we joined in filing consolidated, combined or unitary tax returns are for Sara Lee's account. We are responsible for any taxes with respect to tax returns that include only us and our subsidiaries.

Each member of an affiliated group that files a consolidated tax return for United States federal income tax purposes is severally liable for the affiliated group's federal income tax liability. Accordingly, we could be required to pay a deficiency in the group's federal income tax liability for a period during which we were a member of Sara Lee's group even if the tax sharing agreement allocates that liability to Sara Lee or another member of the group. However, the tax sharing agreement provides that Sara Lee will indemnify us if we are required to pay a deficiency in the group's federal income tax liability that is allocated to Sara Lee or another member of the group.

Sara Lee is solely responsible for controlling and contesting any audit or other tax proceeding with respect to any consolidated, combined or unitary tax return that includes us and our subsidiaries, as well as any separate federal or state income tax return relating to us and our subsidiaries. While we have the right to be consulted and kept informed with respect to any audit or other tax proceeding regarding a tax item for which we are responsible, Sara Lee has the sole and exclusive right to contest or settle the item in its discretion.

The tax sharing agreement also requires us to indemnify Sara Lee for certain taxes and similar obligations, including any taxes resulting from the failure of any exchange or distribution by Sara Lee of our common stock (and certain related transactions) to qualify as tax-free to Sara Lee as a

result of actions taken, or the failure to take required actions, by us or any of our subsidiaries. Specifically, the tax sharing agreement requires us to cooperate with Sara Lee, and to take any and all actions reasonably requested by Sara Lee, in connection with Sara Lee's request, if any is made, for a private letter ruling from the Internal Revenue Service or for a legal opinion regarding the tax-free nature of an exchange or distribution of Coach stock by Sara Lee to Sara Lee's stockholders. Furthermore, we must comply with the representations made in connection with any such private letter ruling or legal opinion that is issued to Sara Lee. Our indemnity obligations include any interest and penalties on taxes, duties or fees for which we must indemnify Sara Lee.

The tax sharing agreement further requires us and Sara Lee to cooperate with respect to tax matters, the exchange of information and the retention of records which may affect the income tax liability of us or Sara Lee. Disputes arising between us and Sara Lee relating to matters covered by the tax sharing agreement are subject to resolution through specific dispute resolution provisions in the agreement.

MASTER TRANSITIONAL SERVICES AGREEMENT

The master transitional services agreement governs the provision of transitional services by Sara Lee to us, on an interim basis, until two years after the separation date, provided that the agreement automatically terminates when Sara Lee effects an exchange or other distribution of our common stock. The services include support services for functions including accounting, treasury, internal audit coordination, environmental, tax, legal, Sara Lee Direct Call Center services, risk management and assessment services, investor relations, and other administrative functions.

Under the agreement we will pay Sara Lee a fee of \$1,000,000 per year, payable in monthly installments over the two year term of the agreement, for these services, other than Sara Lee Direct Call Center services for which we will pay a specified rate per minute of use and other than specifically excluded services. The fee will be pro rated for the actual term of the agreement if the agreement terminates in its entirety before the end of its two year term. We may terminate the agreement with respect to any service at any time upon notice to Sara Lee, however, the termination of any service will have no effect upon the fee. The master transitional services agreement also gives us the ability to request Sara Lee to provide additional services to us, but only at Sara Lee's discretion and only upon our payment of an additional agreed upon fee. We may also extend the term of the agreement with Sara Lee's consent on mutually acceptable terms.

REAL ESTATE MATTERS AGREEMENT

The real estate matters agreement addresses matters relating to leased properties used in our business that Sara Lee leases on our behalf. Under the agreement, Sara Lee will assign to us, as soon as practicable, all leases for store sites and other facilities used by us. The real estate matters agreement also requires both parties to use commercially reasonable efforts to obtain any landlord consents required for the proposed transfers of leased properties and provides that we will pay all reasonable costs and expenses in obtaining the landlord consents.

The agreement further provides that we will be required to accept the transfer of all properties allocated to us, even if a site has been damaged by a casualty. If a lease is terminated due to casualty or action by the landlord prior to the separation date, that lease will not be transferred to us and neither party will have any liability related thereto.

Under the agreement, we are also obligated to use commercially reasonable efforts to obtain the release of any and all obligations of Sara Lee, including any guarantee, surety or other security, with respect to all of the leased properties transferred to us. We agree to indemnify Sara Lee for any and all losses incurred by Sara Lee as a result of our occupancy of any leased property after the separation date. In the event we execute any new leases after the separation date, other than

certain scheduled properties, or any of the leases transferred to us after that date are subject to renewal after the separation date, Sara Lee will have no obligation to provide any guarantee, surety or other security for such new or renewed leases. If Sara Lee has not been released from all obligations with respect to the leased properties transferred to us by the date of any exchange or other distribution of our common stock by Sara Lee and if we fail to comply with specified covenants and financial ratios, we may become obligated to pay Sara Lee a fee approximately equal to one-tenth of the annual lease payments for any such leased properties.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

GENERAL RELEASE OF PRE-SEPARATION CLAIMS. Effective as of the separation date, the indemnification and insurance matters agreement provides that we will release Sara Lee and its affiliates, agents, successors and assigns, and Sara Lee will release us, and our affiliates, agents, successors and assigns, from any liabilities arising from events occurring on or before the separation date. This provision will not impair a party from enforcing the separation agreement, any ancillary agreement or any arrangement specified in any of these agreements.

INDEMNIFICATION. The indemnification and insurance matters agreement also contains provisions governing indemnification. In general, we have agreed to indemnify Sara Lee and its affiliates, agents, successors and assigns from all liabilities arising from:

- our business, any of our liabilities or any of our contracts; and
- any breach by us of the separation agreement or any ancillary agreement.

Sara Lee has agreed to indemnify us and our affiliates, agents, successors and assigns from all liabilities arising from:

- Sara Lee's business other than our business; and
- any breach by Sara Lee of the separation agreement or any ancillary agreement.

These indemnification provisions do not apply to amounts collected from insurance. The agreement also contains provisions governing notice and indemnification procedures.

LIABILITY ARISING FROM THIS PROSPECTUS. We have agreed to indemnify Sara Lee for any liability arising from any untrue statement of a material fact or any omission of a material fact in this prospectus, other than any liability relating to statements or omissions relating exclusively to Sara Lee.

ENVIRONMENTAL MATTERS. Sara Lee has agreed to indemnify us and our affiliates, agents, successors and assigns from (1) all liabilities arising from environmental conditions existing prior to the separation date at facilities transferred to us, or which arise out of our operations occurring before the separation date at these facilities or former facilities and (2) all third party site liabilities arising from pre-separation activities.

We have agreed to indemnify Sara Lee and its affiliates, agents, successors and assigns from (1) all liabilities arising from environmental conditions caused by our operations on and after the separation date at any of the facilities transferred to us, (2) from environmental conditions at our facilities arising from an event that occurs on or after the separation date and (3) all third party site liabilities arising from post-separation activities.

INSURANCE MATTERS. The agreement also contains provisions governing our insurance coverage from the separation date until the date of any exchange or other distribution of our common stock by Sara Lee. In general, we agree to reimburse Sara Lee for premium expenses related to insurance coverage during this period. Prior to any exchange or other distribution, Sara

Lee will maintain insurance policies on our behalf. Sara Lee will promptly distribute to Coach any insurance proceeds that Sara Lee recovers under any Sara Lee insurance policy relating to our business. We will work with Sara Lee to secure additional insurance if desired by both parties. Sara Lee also will maintain insurance for Coach prior to the separation date.

ASSIGNMENT. The indemnification and insurance matters agreement is not assignable by either party without the prior written consent of the other party.

INTERCOMPANY NOTE

Upon our separation from Sara Lee, we will assume an intercompany note payable to a subsidiary of Sara Lee in the aggregate principal amount of \$190 million. The note represents our allocable portion of indebtedness of Sara Lee. The note will bear interest at a rate based on one month LIBOR plus 30 basis points, for as long as Sara Lee owns a majority of our outstanding stock, and one month LIBOR plus 250 basis points thereafter. The note will have a final maturity of June 30, 2002 and may be prepaid at any time without penalty or premium. The note also requires mandatory prepayments from excess cash flow, as defined in the note, remaining after repayment of borrowings under the revolving credit facility. The note includes various covenants, including restrictions on secured debt, sale leaseback transactions and leases and maintenance of an interest coverage ratio, and customary events of default, including failure to pay interest when due, covenant defaults and certain events of our bankruptcy. The note also requires us to obtain the consent of the Sara Lee subsidiary prior to entering into certain extraordinary transactions.

As required by the terms of the note, we will use all of the net proceeds of the offering to repay a portion of the amount outstanding under the note. Immediately following the offering, the aggregate principal amount owed by us to the Sara Lee subsidiary under the note will be approximately \$ million, based upon an assumed initial public offering price of \$.

REVOLVING CREDIT FACILITY

Prior to the completion of this offering, we will enter into a revolving credit facility with Sara Lee which will provide borrowing and investment capabilities under which we may borrow up to \$75 million from Sara Lee and invest excess funds with them. Indebtedness under the revolving credit facility will bear interest based upon one month LIBOR plus 30 basis points on the entire facility. Investment will earn interest based upon one month LIBOR less 20 basis points. The revolving credit facility is available to fund general corporate purposes and terminates when Sara Lee no longer holds a majority of our outstanding common stock. We intend to replace the Sara Lee facility with a banking institution facility at such time as the Sara Lee facility terminates. The credit facility may be prepaid without penalty or premium. The facility includes essentially the same covenants and customary events of default as the intercompany note, including failure to pay interest when due, covenant defaults and certain events of our bankruptcy.

PRINCIPAL STOCKHOLDER

Prior to this offering, all of the outstanding shares of our common stock will be owned by Sara Lee, a publicly-held company that is listed on the New York Stock Exchange. After this offering, Sara Lee will own about %, or about % if the underwriters fully exercise their option to purchase additional shares of our outstanding common stock. Except for Sara Lee, we are not aware of any person or group that will beneficially own more than 5% of the outstanding shares of our common stock following this offering. None of our executive officers or directors currently owns any shares of our common stock, but those who own shares of Sara Lee common stock will be treated on the same terms as other holders of Sara Lee stock in any exchange or other distribution of our common stock by Sara Lee. See "Management--Stock Ownership of Directors and Executive Officers" for a description of the ownership of Sara Lee stock by our directors and executive officers.

DESCRIPTION OF CAPITAL STOCK

THE FOLLOWING DESCRIPTION OF THE TERMS OF OUR CAPITAL STOCK IS ONLY A SUMMARY. FOR A COMPLETE DESCRIPTION, WE REFER YOU TO THE MARYLAND GENERAL CORPORATE LAW, OUR CHARTER AND BYLAWS. WE HAVE FILED OUR CHARTER AND BYLAWS AS EXHIBITS TO THIS REGISTRATION STATEMENT.

GENERAL

Our charter provides that we may issue up to 100,000,000 shares of common stock, par value \$.01 per share, and up to 25,000,000 shares of preferred stock, par value \$.01 per share, and permits our board, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Upon completion of this offering, _____ shares of common stock, or _____ shares of common stock if the underwriters fully exercise their option to purchase additional shares, and no shares of preferred stock will be issued and outstanding. Under Maryland law, our stockholders generally are not liable for our debts or obligations.

COMMON STOCK

All shares of common stock offered by this prospectus will be duly authorized, fully paid and nonassessable. Holders of our common stock have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of our securities. Holders of our common stock are entitled to receive dividends when authorized by our board of directors out of assets legally available for the payment of dividends. They are also entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of our known debts and liabilities. These rights are subject to the preferential rights of any other class or series of our stock.

Each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. Except as provided with respect to any other class or series of stock, the holders of our common stock will possess the exclusive voting power. There is no cumulative voting in the election of directors, which means that the holders of a majority of the outstanding shares of common stock can elect all of the directors then standing for election, and the holders of the remaining shares will not be able to elect any directors.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter. Our charter provides for approval by a majority of all the votes entitled to be cast in these situations.

POWER TO RECLASSIFY SHARES OF OUR STOCK

Our charter authorizes our board of directors to classify and reclassify any unissued shares of our common stock and preferred stock into other classes or series of stock and permits our board, without stockholder approval, to amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue. Prior to issuance of shares of each class or series, the board is required by Maryland law and by our charter to set the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of

redemption for each class or series. Thus, the board could authorize the issuance of shares of preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest. No shares of our preferred stock are presently outstanding and we have no present plans to issue any preferred stock.

POWER TO ISSUE ADDITIONAL SHARES OF COMMON STOCK AND PREFERRED STOCK

We believe that the power to issue additional shares of common stock or preferred stock and to classify or reclassify unissued shares of common or preferred stock and thereafter to issue the classified or reclassified shares provides us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although we have no present intention of doing so, we could issue a class or series of stock that could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the common stock is _____.

CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

BOARD OF DIRECTORS

Our charter and bylaws provide that the number of our directors may be established by the board of directors. Our charter provides that any vacancy will be filled, at any regular meeting or at any special meeting called for that purpose, by a majority of the remaining directors; PROVIDED, HOWEVER, that while Sara Lee, its affiliates or certain of its transferees own a majority of our voting stock, any vacancy on our board of directors which results from the removal of a director may be filled only by the affirmative vote of a majority of our voting stock and any vacancy which results from any reason other than removal shall be filled only by the affirmative vote of a majority of the remaining directors and only with a director having the qualification of having been nominated, and whose election has been consented to, by Sara Lee or, if such vacancy remains unfilled at the time of the next meeting of the stockholders, by the affirmative vote of the holder or holders of a majority of our voting stock.

Our board is not currently classified and, although it would otherwise be permissible under Maryland law for our board to become classified without stockholder approval, we have included a provision in our charter prohibiting the classifying of our board without the approval of a majority of the votes cast on such matter by holders of our common stock.

REMOVAL OF DIRECTORS

Our charter provides that a director may be removed with or without cause by the affirmative vote of a majority of the votes entitled to be cast in the election of directors.

BUSINESS COMBINATIONS

Under Maryland law, "business combinations" between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. These

business combinations include certain mergers, asset transfers or issuances or reclassifications of equity securities. An interested stockholder is defined as:

- any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the stockholder otherwise would have become an interested stockholder.

After the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by the holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These super-majority vote requirements do not apply if the corporation's common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares.

The statute provides for various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder becomes an interested stockholder. Pursuant to the statute, our board of directors has exempted any business combination involving Sara Lee or its affiliates. Consequently, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any of them. As a result, Sara Lee or its affiliates may be able to enter into business combinations with us that may not be in the best interest of our stockholders, without compliance with the super-majority vote requirements and the other provisions of the statute.

The business combination statute could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of our common stock or otherwise be in their best interest.

CONTROL SHARE ACQUISITIONS

Our bylaws contain a provision exempting from Maryland's control share acquisition statute any and all acquisitions by any person of shares of our stock. However, this provision could be amended or eliminated in the future.

Maryland's control share acquisition statute provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights, except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiror, by officers or by directors who are employees of the corporation are excluded from shares entitled to vote on the matter. Control shares are voting shares of stock, which, if aggregated with all other shares of stock owned by the acquiror or in respect of which the acquiror

is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then the corporation may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the corporation to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or, if a meeting of stockholders is held, at which the voting rights of the shares are considered and not approved, as of the date of such meeting. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction, or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

AMENDMENT TO THE CHARTER

Our charter may be amended only by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

DISSOLUTION OF THE COMPANY

The dissolution of the Company must be approved by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of persons for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors, (3) by Sara Lee during the period it holds a majority of our outstanding common stock or (4) by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of

persons for election to the board of directors at a special meeting may be made only (1) pursuant to our notice of the meeting, (2) by the board of directors, (3) by Sara Lee during the period it holds a majority of our outstanding common stock or (4) provided that the board of directors has determined that directors will be elected at the meeting, by a stockholder who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

LIMITATION OF LIABILITY AND INDEMNIFICATION

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment as material to the cause of action. Our charter contains a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law requires us (unless our charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits us to indemnify our present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding unless it is established that:

- the act or omission was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under Maryland law, we may not indemnify for an adverse judgment in a suit by or in our right or for a judgment on the basis that personal benefit was improperly received, unless, in either case, a court orders indemnification and then only for expenses.

In addition, Maryland law permits us to advance reasonable expenses to a director or officer upon our receipt of (1) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification and (2) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by us if it is ultimately determined that the standard of conduct was not met.

Our charter also authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify (1) any present or former director or officer, or person who has agreed to become a director or officer, or (2) any director or officer who, at our request, serves another corporation or other enterprise as a director, officer, partner or trustee against any claim or liability arising from that status and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any person who served our predecessor in any of the capacities described above and any employee or agent of us or our predecessor.

ANTI-TAKEOVER EFFECT OF PARTICULAR PROVISIONS OF MARYLAND LAW AND OF THE CHARTER AND BYLAWS

The business combination provisions and, if the applicable provision in our bylaws is rescinded, the control share acquisition provisions of Maryland law and the advance notice

provisions of our bylaws could have the effect of delaying, deferring or preventing a transaction or a change in control that might involve a premium price for holders of common stock or otherwise be in their best interest.

CORPORATE OPPORTUNITIES

Under the terms of our charter, for so long as Sara Lee owns at least 50% of our outstanding common stock, Sara Lee shall not have a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us, and neither Sara Lee nor any its officers or directors shall be liable to us or our stockholders for breach of any duty by reason of any such activities. If Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for Sara Lee and us, Sara Lee shall have no duty to communicate or offer such corporate opportunity to us and shall not be liable to us or our stockholders for breach of any duty as our stockholder if Sara Lee pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not communicate information regarding, or offer, such corporate opportunity to us.

If one of our directors, officers or employees who is also a director, officer or employee of Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for both us and Sara Lee, such director, officer or employee shall be entitled to offer such corporate opportunity to us or Sara Lee as such director, officer or employee deems appropriate under the circumstances in his or her sole discretion, and no such director, officer or employee shall be liable to us or our stockholders for breach of any duty by reason of the fact that (1) such director, officer or employee offered such corporate opportunity to Sara Lee (rather than us) or did not communicate information regarding such corporate opportunity to us or (2) Sara Lee pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to another person or does not communicate information regarding such corporate opportunity to the us. Neither Sara Lee nor any officer or director of Sara Lee shall be liable to us or our stockholders for breach of any duty by reason of the fact that Sara Lee or an officer or director of Sara Lee takes or fails to take any action or exercises or fails to exercise any rights or gives or withholds any consent in connection with any agreement or contract between Sara Lee and us.

RULE 144

All of the shares of our common stock sold in this offering will be freely tradable without restriction under the Securities Act, except for any shares which we may acquire by our "affiliates," as that term is defined in Rule 144 under the Securities Act. Persons who may be deemed to be our affiliates generally include individuals or entities that control, are controlled by, or are under common control with Coach and may include our directors and officers as well as our significant stockholders.

Sara Lee currently is planning to effect an exchange or other distribution of all or a significant portion of its shares of our common stock within 18 months after this offering. Shares of our common stock distributed to Sara Lee stockholders in the exchange or other distribution generally will be freely transferable, except for shares of common stock received by persons who may be deemed to be affiliates of Coach. Persons who are deemed to be our affiliates will be permitted to sell the shares of common stock that are issued in this offering or that they receive in the exchange or other distribution only through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144.

The shares of our common stock held by Sara Lee before the exchange or other distribution are deemed "restricted securities" as defined in Rule 144, and may not be sold other than through registration under the Securities Act, unless an exemption from registration is available, including an exemption pursuant to Rule 144. Sara Lee, our directors and officers and we have agreed not to offer or sell any shares of our common stock, subject to exceptions, for a period of 180 days after the date of this prospectus, without the prior written consent of the underwriters.

STOCK PLANS

We will grant shares of our common stock pursuant to our stock plans subject to restrictions. See the section in this prospectus entitled "Management" for more information on our stock plans. We currently expect to file a registration statement under the Securities Act to register shares reserved for issuance under our stock incentive plans. Shares issued pursuant to awards after the effective date of the registration statement, other than shares issued to affiliates, generally will be freely tradable without further registration under the Securities Act subject to any contractual restrictions on transfer.

REGISTRATION RIGHTS

Under the master separation agreement with Sara Lee, we have granted Sara Lee the right to cause us to file up to three registration statements under the Securities Act covering resales of all shares of common stock held by Sara Lee and to cause the registration statements to become effective. Sara Lee may not request more than one demand registration in any calendar year. We have also granted Sara Lee the right to include its shares of our common stock in other registrations of our common stock initiated by us or on behalf of our other stockholders. We will pay the expenses of these registrations.

UNDERWRITING

Coach and the underwriters for the offering named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., _____, and _____ are the representatives of the underwriters.

Underwriter	Number of Shares
Goldman, Sachs & Co.....	-----
Total.....	=====

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional _____ shares from Coach to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Coach. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	Paid by the Company	
	No Exercise	Full Exercise
Per Share.....	\$	\$
Total.....	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ _____ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the underwriters to selected other brokers or dealers at a discount of up to \$ _____ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

Coach, Sara Lee and Coach's directors and officers have agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of Coach's common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any grants under existing employee benefit plans. See "Shares Eligible For Future Sale" for a discussion of transfer restrictions.

Prior to the offering, there has been no public market for the shares. The initial public offering price will be negotiated among Coach and the representatives of the underwriters. Among the factors to be considered in determining the initial public offering price of the shares, in addition to

prevailing market conditions, will be Coach's historical performance, estimates of the business potential and earnings prospects, an assessment of Coach's management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Coach intends to list the common stock on the New York Stock Exchange under the symbol "COH". In order to meet one of the requirements for listing the common stock on the NYSE, the underwriters have undertaken to sell lots of 100 or more shares to a minimum of 2,000 beneficial holders.

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on the New York Stock Exchange, in the over-the-counter market or otherwise.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

At the request of Coach, the underwriters have reserved for sale, at the initial public offering price, approximately % of the shares of common stock being offered for its directors and select employees, including directors and executive officers of Sara Lee. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public in the offering will be reduced by the number of reserved shares sold. Any reserved shares not so purchased will be offered to the general public on the same basis as the other shares offered hereby.

A prospectus in electronic format may be made available on the websites maintained by the lead manager of this offering and may also be made available on web sites maintained by other underwriters. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the lead managers to underwriters that may make Internet distributions on the same basis as other allocations.

Coach estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$.

Coach and Sara Lee have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Goldman, Sachs & Co. has from time to time performed various investment banking services for Sara Lee in the past, and it may from time to time in the future perform investment banking services for Sara Lee and Coach for which it has received and will receive customary fees.

LEGAL MATTERS

The validity of the issuance of the shares of common stock offered hereby will be passed upon for us by Ballard Spahr Andrews & Ingersoll, LLP. Certain legal matters will be passed upon for the underwriters by Kirkland & Ellis, Chicago, Illinois. Kirkland & Ellis represents Sara Lee from time to time in connection with various legal matters.

EXPERTS

The financial statements included in this prospectus have been audited by Arthur Andersen LLP, independent auditors, as stated in their reports appearing herein, and are included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a Registration Statement on Form S-1, including exhibits and schedules, under the Securities Act with respect to the common stock offered by this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement. Some items included in the registration statement are omitted from this prospectus in accordance with the rules and regulations of the SEC. For further information about us and our common stock, reference is made to the registration statement and the exhibits and any schedules to the registration statement. Statements contained in this prospectus as to the contents of any contract or other document referred to are not necessarily complete and in each instance, if the contract or document is filed as an exhibit, reference is made to the copy of the contract or other documents filed as an exhibit to the registration statement, each statement being qualified in all respects by such reference. A copy of the registration statement, including the exhibits and schedules to the registration statement, may be read and copied at the SEC's Public Reference Room at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549 and inspected at the regional offices of the SEC located at 7 World Trade Center, Suite 1300, New York, NY 10048 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, IL 60661. For further information on the Public Reference Rooms, please call the SEC at 1-800-SEC-0330. In addition, the SEC maintains an Internet site at <http://www.sec.gov>, from which interested persons can electronically access the registration statement, including the exhibits and any schedules to the registration statement.

As a result of this offering, we will become subject to the full informational requirements of the Securities Exchange Act of 1934. We will fulfill our obligations with respect to those requirements by filing periodic reports and other information with the SEC. We intend to furnish our stockholders with annual reports containing financial statements certified by an independent public accounting firm.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of Sara Lee Corporation:

We have audited the accompanying consolidated and combined balance sheets of Coach (a business comprised of divisions and subsidiaries of Sara Lee Corporation) as of July 3, 1999 and June 27, 1998, and the related consolidated and combined statements of income, equity and cash flows for the years ended July 3, 1999, June 27, 1998 and June 28, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated and combined financial position of Coach as of July 3, 1999 and June 27, 1998, and the results of its operations and its cash flows for the years ended July 3, 1999, June 27, 1998 and June 28, 1997 in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic consolidated and combined financial statements taken as a whole. The schedule identified in Item 16(B) of the registration statement is presented for purposes of complying with the Securities and Exchange Commission rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

Arthur Andersen LLP

Chicago, Illinois
June 1, 2000

COACH, INC.
CONSOLIDATED AND COMBINED BALANCE SHEETS

	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)	PRO FORMA APRIL 1, 2000 (UNAUDITED)
	-----	-----	-----	-----	-----
	(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)				
ASSETS					
Cash.....	\$ 183	\$ 148	\$ 149	\$ 164	\$ 164
Trade accounts receivable, less allowances of \$8,960 at June 27, 1998, \$6,119 at July 3, 1999, \$7,067 at March 27, 1999 and \$5,242 at April 1, 2000.....	13,135	11,818		16,562	22,699
Inventories				22,699	22,699
Finished goods.....	104,472	82,086	80,328	91,441	91,441
Work in process.....	4,940	2,433	2,182	1,677	1,677
Materials and supplies.....	22,988	16,876	21,244	7,524	7,524
Total inventory.....	132,400	101,395	103,754	100,642	100,642
Prepaid expenses.....	3,029	3,106	3,381	3,763	3,763
Deferred income taxes.....	11,839	6,477	7,817	5,395	5,395
Other current assets.....	1,884	3,676	5,938	1,035	1,035
Total current assets.....	162,470	126,620	137,601	133,698	133,698
(Payable to) receivable from Sara Lee.....	(11,088)	54,150	46,346	89,537	--
Trademarks and other assets.....	11,715	11,269	10,945	10,882	10,882
Property					
Machinery and equipment.....	16,647	16,532	16,785	16,980	16,980
Furniture and fixtures.....	61,481	67,751	66,020	57,638	57,638
Leasehold improvements.....	88,067	88,611	89,179	86,202	86,202
Construction in progress.....	9,874	8,687	7,905	15,352	15,352
Accumulated depreciation.....	(101,679)	(120,430)	(116,375)	(111,526)	(111,526)
Property, net.....	74,390	61,151	63,514	64,646	64,646
Deferred income taxes.....	13,721	23,369	20,957	22,646	22,646
Goodwill, net.....	6,502	5,529	5,855	5,306	5,306
Total assets.....	\$ 257,710	\$ 282,088	\$ 285,218	\$ 326,715	\$ 237,178
	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY					
Bank overdrafts.....	\$ 6,019	\$ 4,023	\$ 2,948	\$ 2,242	\$ 2,242
Accounts payable.....	12,044	10,122	11,829	6,994	6,994
Accrued liabilities					
Advertising and promotions.....	7,033	7,583	6,521	8,870	8,870
Income and other taxes.....	3,837	5,694	5,869	6,666	6,666
Payroll and benefits.....	17,036	28,169	29,235	40,648	40,648
Rent, utilities, insurance and administration fees.....	11,515	11,855	10,331	13,306	13,306
Product repairs.....	7,000	6,100	6,325	5,800	5,800
Other.....	2,397	1,354	2,348	2,518	2,518
Long-term debt due within 1 year.....	35	35	35	267	267
Total current liabilities.....	66,916	74,935	75,441	87,311	87,311
Long-term debt.....	3,810	3,775	3,775	3,735	
Long-term debt to Sara Lee.....	--	--	--	--	
Other liabilities.....	125	216	206	173	
Common stockholder's net investment					
Preferred stock: (authorized 25,000,000 shares; \$.01 par value) None issued.....	--	--	--	--	
Common stock: (authorized 100,000,000 shares; \$.01 par value) Issued--1,000 shares.....	--	--	--	--	
Capital surplus.....	--	--	--	--	
Sara Lee Corporation equity.....	187,251	203,966	206,489	236,135	
Accumulated other comprehensive loss.....	(392)	(804)	(693)	(639)	
Total equity.....	186,859	203,162	205,796	235,496	
Total liabilities and common stockholder's equity.....	\$ 257,710	\$ 282,088	\$ 285,218	\$ 326,715	\$
	=====	=====	=====	=====	=====

The accompanying Notes to Consolidated and Combined Financial Statements are an integral part of these statements.

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENTS OF INCOME

	YEARS ENDED			39 WEEKS ENDED	
	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)				
Net sales.....	\$540,366	\$522,220	\$507,781	\$389,502	\$427,232
Cost of sales.....	227,086	235,512	226,190	173,811	173,199
Gross profit.....	313,280	286,708	281,591	215,691	254,033
Selling, general and administrative expenses.....	269,011	261,695	255,008	186,071	206,399
Reorganization costs.....	--	--	7,108	7,108	--
Operating income.....	44,269	25,013	19,475	22,512	47,634
Interest income.....	--	272	27	19	26
Interest expense.....	(492)	(508)	(441)	(339)	(317)
Minority interest in subsidiary.....	(95)	66	--	--	--
Income before income taxes.....	43,682	24,843	19,061	22,192	47,343
Income taxes.....	11,645	4,180	2,346	2,954	15,174
Net income.....	\$ 32,037	\$ 20,663	\$ 16,715	\$ 19,238	\$ 32,169
Net income per common share--basic..	\$	\$	\$	\$	\$
--diluted.....	\$	\$	\$	\$	\$
Shares used in computing net income per common share--basic.....					
--diluted.....					

The accompanying Notes to the Consolidated and Combined Financial Statements are
an
integral part of these statements.

COACH, INC.

CONSOLIDATED AND COMBINED STATEMENT OF EQUITY

	TOTAL	SARA LEE CORPORATION EQUITY	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME (LOSS)
	(DOLLARS IN THOUSANDS)			
BALANCES AT JUNE 29, 1996.....	\$131,961	\$132,401	\$(440)	
Net income.....	32,037	32,037	--	\$32,037
Translation adjustments.....	494	--	494	494
Minimum pension liability.....	(186)	--	(186)	(186)
Comprehensive income.....				\$32,345
Capital contribution.....	1,055	1,055	--	=====
BALANCES AT JUNE 28, 1997.....	165,361	165,493	(132)	
Net income.....	20,663	20,663	--	\$20,663
Translation adjustments.....	134	--	134	134
Minimum pension liability.....	(394)	--	(394)	(394)
Comprehensive income.....				\$20,403
Capital contribution.....	1,095	1,095	--	=====
BALANCES AT JUNE 27, 1998.....	186,859	187,251	(392)	
Net income.....	16,715	16,715	--	\$16,715
Translation adjustments.....	(9)	--	(9)	(9)
Minimum pension liability.....	(403)	--	(403)	(403)
Comprehensive income.....				\$16,303
Capital contribution.....				=====
BALANCES AT JULY 3, 1999.....	203,162	203,966	(804)	
Net income(1).....	32,169	32,169	--	\$32,169
Translation adjustments(1)....	165	--	165	165
Comprehensive income(1).....				\$32,334
BALANCES AT APRIL 1, 2000(1)....	\$235,496	\$236,135	\$(639)	=====

(1) unaudited

The accompanying Notes to the Consolidated and Combined Financial Statements are
an
integral part of these statements.

COACH, INC.
CONSOLIDATED AND COMBINED STATEMENTS OF CASH FLOWS

	YEARS ENDED			39 WEEKS ENDED	
	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	MARCH 27, 1999 (UNAUDITED)	APRIL 1, 2000 (UNAUDITED)
	(DOLLARS IN THOUSANDS)				
OPERATING ACTIVITIES					
Net income.....	\$ 32,037	\$ 20,663	\$ 16,715	\$ 19,238	\$ 32,169
Adjustments for noncash charges included in net income:					
Depreciation.....	19,200	21,571	21,339	17,038	15,738
Amortization of intangibles.....	2,626	1,213	917	600	973
Reorganization costs.....	--	--	7,108	7,108	--
(Decrease) increase in deferred taxes.....	(2,170)	1,172	(4,286)	(3,214)	1,805
Other noncash credits, net.....	707	(766)	2,843	1,020	(987)
Changes in current assets and liabilities:					
Decrease (increase) in trade accounts receivable.....	2,476	4,473	1,315	(3,428)	(10,880)
(Increase) decrease in inventories.....	(9,401)	(30,206)	30,977	28,639	762
(Increase) decrease in other current assets.....	(880)	9,347	(1,876)	(4,410)	1,984
Increase (decrease) in accounts payable.....	768	2,337	(1,922)	(215)	(3,128)
(Decrease) increase in accrued liabilities.....	(9,414)	(12,629)	5,875	5,711	17,034
Net cash from operating activities.....	35,949	17,175	79,005	68,087	55,470
INVESTMENT ACTIVITIES					
Purchases of property and equipment..	(30,218)	(15,178)	(13,519)	(8,394)	(19,417)
Acquisition of minority interest.....	--	--	(896)	(896)	--
Dispositions of property.....	886	840	2,646	1,696	939
Net cash used in investment activities.....	(29,332)	(14,338)	(11,769)	(7,594)	(18,478)
FINANCING ACTIVITIES					
Additional capital contribution.....	1,055	1,095	--	--	--
Net transfers from (to) Sara Lee Corporation.....	1,759	2,788	(65,238)	(57,434)	(35,387)
Bank overdrafts.....	(9,991)	(6,731)	(1,996)	(3,071)	(1,781)
Repayments of long-term debt.....	--	--	(35)	(35)	(35)
Borrowings of long-term debt.....	--	--	--	--	227
Net cash used in financing activities.....	(7,177)	(2,848)	(67,269)	(60,540)	(36,976)
Effect of changes in foreign exchange rates on cash.....	18	7	(2)	13	--
(Decrease) increase in cash and equivalents.....	(542)	(4)	(35)	(34)	16
Cash and equivalents at beginning of year.....	729	187	183	183	148
Cash and equivalents at end of period.....	\$ 187	\$ 183	\$ 148	\$ 149	\$ 164

The accompanying Notes to the Consolidated and Combined Financial Statements are
an
integral part of these statements.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND
THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

1.) BACKGROUND AND BASIS OF PRESENTATION

On May 30, 2000, Sara Lee Corporation ("Sara Lee") announced its plan to create an independent publicly traded company, Coach, Inc. ("Coach" or the "Company") comprised of Sara Lee's branded leather goods and accessories business. After completion of Coach's initial public offering, Sara Lee will own at least 80.1% of Coach's outstanding common stock.

Coach designs, manufactures, markets and sells primarily fine leather hand bags and accessories. Coach products are manufactured by third-party suppliers as well as by Coach-operated manufacturing facilities. Coach markets products via company operated retail and factory stores, selected upscale department stores and specialty retailers, direct mail catalogs, international retail stores and the Internet. As of April 1, 2000, Coach operates 2 manufacturing facilities, 3 warehouse, distribution and product development centers, 104 United States retail stores, 62 United States factory stores and 2 retail locations in the United Kingdom.

Coach was formed in 1941 and was acquired by Sara Lee in July 1985 in a transaction accounted for as a purchase. Coach is operated as a division in the United States and a subsidiary in foreign countries. On June 1, 2000, Coach was incorporated under the laws of the State of Maryland and will begin operating as a separate legal entity in July 2000.

Sara Lee and Coach will enter into a Master Separation Agreement, General Assignment and Assumption Agreement, Indemnification and Insurance Matters Agreement, Master Transitional Services Agreement, Real Estate Matters Agreement, Employee Matters Agreement and Tax Sharing Agreement (collectively referred to as the "Separation Agreements") (See Note 13 of the consolidated and combined financial statements). Pursuant to the Separation Agreements, Sara Lee will transfer to Coach the assets and liabilities that relate to the Coach business prior to the date of completion of Coach's initial public offering (the "separation date").

The consolidated and combined financial statements of Coach reflect the historical results of operations and cash flows of the Coach leather goods and accessories business of Sara Lee during each respective period. Under Sara Lee ownership, Coach's United States operations were a division of Sara Lee and not a separate legal entity, while Coach's foreign operations were subsidiaries of Sara Lee. The historical financial statements have been prepared using Sara Lee's historical basis in the assets and liabilities and the results of Coach's business. The financial information included herein may not reflect the consolidated financial position, operating results, changes in stockholder's net investment and cash flows of Coach in the future, or what they would have been had Coach been a separate stand-alone entity during the periods presented. On the separation date, Coach will begin operating as a separate legal entity.

The consolidated financial statements include allocations of certain Sara Lee expenses, including certain accounting, treasury, real estate, human resources, and other Sara Lee corporate services and infrastructure costs. The expense allocations have been determined on the basis that Sara Lee and Coach considered to be reasonable reflections of the utilization of services provided by Sara Lee.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND
THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

2.) SIGNIFICANT ACCOUNTING POLICIES

Fiscal year--Coach's fiscal year ends on the Saturday closest to June 30. Fiscal year 1999 was a 53-week year, while fiscal years 1998 and 1997 were 52-week years. Unless otherwise stated, references to years in the financial statements relate to fiscal years.

Preparation of financial statements--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Interim financial information--The financial information as of March 27, 1999, April 1, 2000, and the 39 weeks ended March 27, 1999 and April 1, 2000 is unaudited and includes adjustments, consisting only of normal and recurring accruals, that management considered necessary for a fair presentation of Coach's consolidated financial position, operating results and cash flows. Results for the 39 weeks ended March 27, 1999 and April 1, 2000 are not necessarily indicative of results to be expected for the full fiscal year or for any future period.

Consolidation--The consolidated and combined financial statements include the accounts of Coach. All significant intercompany transactions and balances within Coach are eliminated in consolidation.

Cash and cash equivalents--Cash consists of cash balances and short term investments with a maturity of less than 90 days.

Inventories--Inventories are valued at the lower of cost (determined by the first-in, first-out method) or market. Inventory cost includes material and conversion costs.

Property--Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets. Machinery and equipment are depreciated over lives of 5 to 7 years and furniture and fixtures are depreciated over lives of 3 to 5 years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the related lease terms. Maintenance and repair costs are charged to earnings while expenditures for major renewals and improvements are capitalized. Upon the disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts.

Pre-opening costs--Costs associated with the opening of new retail stores are expensed in the periods incurred.

Software development costs--Prior to the adoption date of AICPA Statement of Position No. (SOP) 98-1 in 1999, Coach expensed all software development costs as incurred, which included \$7.0 million in 1997. Since adoption of SOP 98-1, Coach's policy is to capitalize certain costs relating to software developed and implemented for internal use and to amortize these costs over a period of 3 to 5 years. No material software development costs were incurred in 1998, 1999 or 2000.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible Assets--The excess of cost over fair market value of tangible net assets and trademarks of acquired businesses is amortized on a straight line basis over the periods of expected benefit, which range from 5 to 40 years. Accumulated amortization of intangible assets at June 27, 1998, July 3, 1999, March 27, 1999 and April 1, 2000 is \$6,421, \$2,960, \$2,878 and \$3,100, respectively.

Long-Lived Assets--Long-lived assets primarily include property, identifiable intangible assets and goodwill. Long-lived assets being retained for use by Coach are periodically reviewed for impairment by comparing the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that an impairment loss has occurred, the loss would be recognized during the period. The impairment loss is calculated as the difference between asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance.

Long-lived assets which are to be disposed of are reported at the lower of carrying value or fair value less cost to sell. Reductions in carrying value are recognized in the period in which management commits to a plan to dispose of the assets.

Transactions with Sara Lee--Payable to/receivable from Sara Lee represents the net amount due to or from Sara Lee as a result of intercompany transactions between Coach and Sara Lee. See Note 13 for a description of the relationship with Sara Lee.

Revenue Recognition--Sales are recognized at the "point of sale", which occurs when merchandise is sold in an "over the counter" transaction or upon shipment to a customer. The Company maintains a reserve for potential product returns and records its provision for estimated product returns based upon historical experience. The charge for estimated product returns is recorded against sales for the period. Certain royalty revenues are earned through license agreements with manufacturers of other consumer products that incorporate the Coach brand. Revenue earned under these contracts is accrued based upon reported sales from the licensee.

Advertising--Advertising costs, which include media and production totaled \$14,337, \$16,777 and \$12,598 for the fiscal years 1997, 1998 and 1999. For the 39 weeks ended March 27, 1999 and April 1, 2000, these costs were \$9,277 and \$11,758, respectively. Advertising costs are expensed when the advertising first takes place.

Stock Based Compensation--Employee stock options are accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25). APB No. 25 requires the use of the intrinsic value method, which measures compensation cost as the excess, if any, of the quoted market price of the stock at grant over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net earnings and earnings per share as if the fair value based method of accounting had been applied as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123").

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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2.) SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes--Coach's operating results historically have been included in Sara Lee's consolidated U.S. and state income tax returns and in the tax returns of certain Sara Lee foreign operations. Given Sara Lee's continued ownership of greater than 80% of Coach's common stock, Coach will continue to be included in these consolidated tax returns. The provision for income taxes in Coach's financial statements has been prepared as if Coach was a stand-alone entity and filed separate tax returns. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts.

Foreign Currency--The functional currency of the Company's foreign operations is the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The resulting translation adjustments are recorded as a component of other comprehensive income within stockholders equity. Gains and losses from foreign currency transactions are included in net income.

3.) STOCK-BASED COMPENSATION

SARA LEE STOCK BASED PLANS

Coach employees participate in stock-based compensation plans of Sara Lee. Sara Lee maintains various stock option, employee stock purchase and stock award plans.

STOCK OPTIONS--The exercise price of each stock option equals 100% of the market price of Sara Lee's stock on the date of grant and generally has a maximum term of 10 years. Options generally vest ratably over three years. During 1998, Sara Lee instituted a broad-based stock option incentive program under which Sara Lee granted options, to essentially all full-time Coach employees, to purchase a total of approximately 449 shares of Sara Lee common stock.

Under certain stock option plans, an active employee may receive a replacement Sara Lee stock option equal to the number of shares surrendered upon a stock-for-stock exercise. The exercise price of the replacement option is 100% of the market value at the date of exercise of the original option and will remain exercisable for the remaining term of the original option. Replacement stock options generally vest six months from the grant date.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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3.) STOCK-BASED COMPENSATION (CONTINUED)

A summary of options held by Coach employees under the Sara Lee option plans follows:

(SHARES IN THOUSANDS)	NUMBER OF SARA LEE OUTSTANDING OPTIONS	EXERCISABLE SHARES	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at June 29, 1996.....	728	396	\$12.59
Granted.....	447		
Exercised.....	(342)		
Canceled/Expired.....	(74)		
Outstanding at June 28, 1997.....	759	333	14.12
Granted.....	1,362		
Exercised.....	(530)		
Canceled/Expired.....	(212)		
Transfers.....	50		
Outstanding at June 27, 1998.....	1,429	246	20.96
Granted.....	584		
Exercised.....	(232)		
Canceled/Expired.....	(263)		
Outstanding at July 3, 1999.....	1,518	603	23.02
Granted.....	563		
Exercised.....	(164)		
Canceled/Expired.....	(188)		
Transfers.....	111		
Outstanding at April 1, 2000.....	1,840	950	23.36

The fair value of each Coach option grant under the Sara Lee plans is estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted average assumptions:

	1997	1998	1999
Expected lives.....	2.7 years	3.8 years	3.5 years
Risk-free interest rate.....	6.1%	6.0%	5.2%
Expected volatility.....	22.4%	22.6%	24.1%
Dividend yield.....	2.2%	1.7%	1.8%

The weighted average fair value of individual options granted during 1997, 1998 and 1999 was \$2.80, \$4.44 and \$4.73, respectively.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

3.) STOCK-BASED COMPENSATION (CONTINUED)

EMPLOYEE STOCK PURCHASE PLAN (ESPP). Sara Lee maintains an ESPP that permits full-time Coach employees to purchase a limited number of Sara Lee common shares at 85% of market value. Under the plan, Sara Lee sold 51, 54 and 81 shares to Coach employees in 1997, 1998 and 1999, respectively. Pro forma compensation expense is calculated for the fair value of the employees' purchase rights using the Black-Scholes model. Assumptions include an expected life of 1/4 of a year and weighted average risk-free interest rates of 5.1%, 5.2% and 4.6% in 1997, 1998 and 1999, respectively. Other underlying assumptions are consistent with those used for the Sara Lee stock option plans described above.

Under APB 25, no compensation cost is recognized for stock options and replacement stock options under the various Sara Lee stock-based compensation plans and shares purchased under the ESPP. Had compensation cost for the grants for stock-based compensation been determined consistent with SFAS 123, Coach's pro forma net income and per share net income for 1997, 1998 and 1999 would have been as follows:

	1997	1998	1999
	-----	-----	-----
Net income.....	\$31,342	\$18,489	\$14,615
Net income per share--basic.....	\$	\$	\$
--diluted.....	\$	\$	\$

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts. SFAS 123 does not apply to awards prior to 1996, and additional awards in future years are anticipated.

STOCK UNIT AWARDS. Stock unit awards of Sara Lee stock are restricted and subject to forfeiture until Sara Lee and Coach achieve certain financial goals. Performance goals typically extend over three years. All restricted stock awards entitle the participant to dividends that are escrowed until the participant receives the shares. The value of stock awards is accrued over the performance goal period.

COACH STOCK BASED PLANS

STOCK OPTIONS. Concurrent with the initial public offering, Coach intends to establish a stock option plan for Coach employees. Coach employees can continue to participate in the Sara Lee plan while Sara Lee maintains an ownership interest in Coach. No future stock option grants will be made under the Sara Lee plan to Coach employees; instead, future grants to Coach employees will be made under the Coach plan. Certain Coach executive employees who are Sara Lee option holders will receive the right to convert Sara Lee options into Coach options at the IPO date using a conversion ratio of Coach's stock price to Sara Lee's stock price with a conversion ratio floor of 1.00. Any Sara Lee option converted into a Coach option may not be exercised until the earlier of one year following conversion, or that time when Sara Lee ceases to own a majority of Coach, subject to the original vesting requirements. At April 1, 2000, there were 1,611 stock options

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3.) STOCK-BASED COMPENSATION (CONTINUED)

outstanding and held by executive employees of Coach, of which 823 were exercisable at a weighted average exercise price of \$23.82. Sara Lee options which are converted to Coach options will result in an expense equal to the intrinsic value (if any) on the date of conversion, being recorded over the remaining vesting period of the option.

ESPP--Coach will continue to participate in the Sara Lee ESPP until either Sara Lee completes an exchange or other distribution of Coach, or Coach establishes a separate ESPP.

STOCK UNITS--Certain Coach employees who hold approximately 30 Sara Lee restricted stock units will be given the election to convert these stock units into Coach restricted stock units maintaining the same market value relationship on the date of conversion.

4.) MINORITY INTEREST IN SUBSIDIARIES

Coach owned 60% of an Italian manufacturing operation. At the beginning of 1999, Coach purchased equity held by the minority partner and subsequently closed this operation and incurred shutdown costs of \$331 that are discussed in Note 8.

5.) LONG TERM DEBT, CREDIT FACILITIES AND CONCENTRATION OF CREDIT RISK

Long-term debt consists of an 8.77% loan that matures in 2015. Interest expense for this loan for fiscal years 1997, 1998 and 1999 and the 39 weeks ended March 27, 1999 and April 1, 2000 was \$337, \$337, \$336, \$252 and \$251, respectively. Cash interest paid for fiscal years 1997, 1998, 1999 and the 39 weeks ended March 27, 1999 and April 1, 2000 was \$0, \$268, \$336, \$336 and \$333, respectively. Debt service payments under this loan for the years ending 2000 through 2004 are \$371, \$373, \$399, \$398 and \$426, respectively.

Coach participates in a cash concentration system that requires that cash balances be deposited with Sara Lee which are netted against any borrowings or billings that are provided by Sara Lee. The balance due under this arrangement is included in the Payable to/receivable from Sara Lee. For the periods presented, no interest is charged or earned on these balances. It is the intent of the parties that prior to the initial public offering the balance on the Payable to/receivable from Sara Lee will be capitalized into Sara Lee's investment in Coach. No cash will be paid or collected by either party.

Subsequent to the initial public offering Coach will continue to participate in the Sara Lee cash concentration system. The maximum borrowings from Sara Lee under this arrangement is \$75 million which will accrue interest at US dollar LIBOR plus 30 basis points. Any receivable balance from Sara Lee under this arrangement will accrue interest at US dollar LIBOR minus 20 basis points. Upon Sara Lee's owning less than a majority, this facility will terminate and become due. The credit facility will include certain restrictions on additional secured debt and sale/leaseback transactions and certain interest coverage and lease covenants.

As described in Note 15 (Subsequent Events), Coach will undergo an equity restructuring which will result in \$190 million of long-term debt to a subsidiary of Sara Lee.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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6.) LEASES

Coach, as a division of Sara Lee, leases certain office, distribution, retail and manufacturing facilities. The lease agreements, which expire at various dates through 2015, are subject, in some cases, to renewal options and provide for the payment of taxes, insurance and maintenance. Certain leases contain escalation clauses resulting from the pass-through of increases in operating costs, property taxes and the effect on costs from changes in consumer price indices. Certain rentals are also contingent upon factors such as future sales.

Rent-free periods and other incentives granted under certain leases and scheduled rent increases are charged to rent expense on a straight line basis over the related terms of such leases. Contingent rentals are recognized when the achievement of the target, which triggers the related payment, are considered probable. Rent expense for the Company's operating leases, consisted of the following:

	1997	1998	1999
	-----	-----	-----
Minimum rentals.....	\$25,713	\$25,642	\$26,191
Contingent rentals.....	2,680	2,109	2,163
	-----	-----	-----
Total Rent Expense.....	\$28,393	\$27,751	\$28,354
	=====	=====	=====

Future minimum rental payments under non-cancellable operating leases are as follows:

YEAR ENDED	AMOUNT
- - - - -	-----
2000.....	\$ 23,607
2001.....	23,274
2002.....	20,860
2003.....	18,440
2004.....	17,519
Subsequent to 2004.....	83,523

Total minimum future rental payments.....	\$187,223
	=====

Certain operating leases provide for renewal for periods of 3 to 5 years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by new leases.

7.) CONTINGENCIES

Coach is a party to several pending legal proceedings and claims. Although the outcome of such items cannot be determined with certainty, Sara Lee's and Coach's general counsel and management are of the opinion that the final outcome should not have a material effect on Coach's results of operations or financial position.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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8.) REORGANIZATION COSTS

In the second quarter of 1999, the management of Coach and Sara Lee committed to a plan involving the closure of the Carlstadt, New Jersey warehouse and distribution center; the closure of the Italian manufacturing operation; and the reorganization of the Florida manufacturing facility. The reorganization plan included the elimination of 737 employee positions. These actions, intended to reduce costs, resulted in the transfer of production to lower cost third-party manufacturers and the consolidation of all distribution functions at the Jacksonville, Florida distribution center.

During 1999, Coach closed the Carlstadt, New Jersey warehouse and distribution center and the Italian manufacturing operation. As contemplated in the original plan, a portion of the Carlstadt facility remains in use for product development. Related to these facility closures and the reorganization activities at the Florida manufacturing facility, 737 employees were terminated. The composition of the reorganization reserves is set forth in the table below. At April 1, 2000, all reorganization actions were complete and remaining workers' separation costs relate to unpaid costs for terminated employees.

	ORIGINAL REORGANIZATION RESERVES	WRITE-DOWN OF LONG-LIVED ASSETS TO NET REALIZABLE VALUE	CASH PAYMENTS	REORGANIZATION RESERVES AS OF JULY 3, 1999	CASH PAYMENTS (UNAUDITED)	REORGANIZATION RESERVES AS OF APRIL 1, 2000 (UNAUDITED)
	-----	-----	-----	-----	-----	-----
Workers' separation costs...	\$5,893	--	(\$4,262)	\$1,631	(\$1,389)	\$ 242
Lease termination costs.....	1,155	--	--	1,155	(1,155)	--
Anticipated losses on disposal of fixed assets.....	60	(\$60)	--	--	--	--
	-----	-----	-----	-----	-----	-----
Total reorganization reserves.....	\$7,108	(\$60)	(\$4,262)	\$2,786	(\$2,544)	\$ 242
	=====	=====	=====	=====	=====	=====

9.) RETIREMENT PLANS

Coach sponsors a noncontributory defined benefit plan, The Coach Leatherware Company, Inc. Supplemental Pension Plan, for individuals who are a part of collective bargaining arrangements.

Employees who meet certain eligibility requirements and are not part of a collective bargaining arrangement participate in defined benefit pension plans sponsored by Sara Lee. These defined benefit pension plans include employees from a number of domestic Sara Lee business units. The annual cost of the Sara Lee defined benefit plans is allocated to all of the participating businesses based upon a specific actuarial computation which is consistently followed. All obligations pursuant to these plans are obligations of Sara Lee and will continue to be obligations of Sara Lee after the initial public offering.

COACH, INC.

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9.) RETIREMENT PLANS (CONTINUED)

The annual expense incurred by Coach for the defined benefit plans is as follows:

	1997	1998	1999
	-----	-----	-----
Coach Leatherware Company, Inc.			
Supplemental Pension Plan.....	\$ 268	\$ 326	\$ 386
Participation in Sara Lee sponsored defined benefit plans.....	1,044	1,331	2,304
	-----	-----	-----
Total defined benefit plan expense.....	\$1,312	\$1,657	\$2,690
	=====	=====	=====

The components of the Coach Leatherware Company, Inc. Supplemental Pension Plan were:

	1997	1998	1999
	-----	-----	-----
Components of defined benefit net periodic pension cost:			
Service cost.....	\$ 309	\$ 347	\$ 436
Interest cost.....	184	218	282
Expected return on assets.....	(239)	(254)	(361)
Amortization of:			
Net initial asset.....	(50)	(50)	(50)
Prior service cost.....	59	59	59
Net actuarial loss.....	5	6	20
	-----	-----	-----
Net periodic pension cost.....	\$ 268	\$ 326	\$ 386
	=====	=====	=====

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

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9.) RETIREMENT PLANS (CONTINUED)

The funded status of the Coach Leatherware Company, Inc. Supplemental Pension Plan at the respective year-ends was:

	1997	1998	1999
	-----	-----	-----
Projected benefit obligation:			
Beginning of year.....	\$2,567	\$3,052	\$4,583
Service cost.....	309	348	436
Interest cost.....	184	218	282
Benefits paid.....	(97)	(83)	(105)
Actuarial (gain) loss.....	89	1,048	(87)
	-----	-----	-----
End of year.....	\$3,052	\$4,583	\$5,109
	-----	-----	-----
Fair value of plan assets:			
Beginning of year.....	\$2,758	\$2,952	\$4,313
Actual return/(loss) on plan assets.....	291	952	(99)
Employer contributions.....	--	492	197
Benefits paid.....	(97)	(83)	(105)
	-----	-----	-----
End of year.....	\$2,952	\$4,313	\$4,306
	-----	-----	-----
Funded Status.....	\$ (100)	\$ (270)	\$ (803)
Unrecognized:			
Prior service cost.....	585	526	234
Net actuarial loss (gain).....	384	729	1,081
Net initial asset.....	(198)	(149)	(98)
	-----	-----	-----
Prepaid benefit cost recognized.....	\$ 671	\$ 836	\$ 414
	=====	=====	=====
Amounts recognized on the consolidated balance sheets:			
Other noncurrent assets.....	\$ 585	\$ 526	\$ 234
Noncurrent benefit liability.....	(100)	(270)	(803)
Accumulated other comprehensive income.....	186	580	983
	-----	-----	-----
Prepaid benefit cost recognized.....	\$ 671	\$ 836	\$ 414
	=====	=====	=====

COACH, INC.

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9.) RETIREMENT PLANS (CONTINUED)

Net pension expense for the Coach Leatherware Company, Inc. Plan is determined using assumptions as of the beginning of each year. Funded status is determined using assumptions as of the end of each year. The assumptions used at the respective year-ends were:

	1997	1998	1999
	-----	-----	-----
Discount rate.....	7.25%	6.25%	6.25%
Long-term rate of return on plan assets.....	8.75	8.50	8.50
Rate of compensation increase.....	4.50	4.50	4.50

10.) INCOME TAXES

The provisions for income taxes computed by applying the U.S. statutory rate to income before taxes as reconciled to the actual provisions were:

	1997		1998		1999	
	-----	-----	-----	-----	-----	-----
	AMOUNT	PERCENT	AMOUNT	PERCENT	AMOUNT	PERCENT
	-----	-----	-----	-----	-----	-----
Income (loss) before provision for income taxes:						
United States.....	\$28,727	65.8%	\$10,863	43.7%	\$ 8,919	46.8%
Puerto Rico.....	16,844	38.5	16,523	66.5	10,241	53.7
Foreign.....	(1,889)	(4.3)	(2,543)	(10.2)	(99)	(0.5)
	-----		-----		-----	
	\$43,682	100.0%	\$24,843	100.0%	\$19,061	100.0%
	=====		=====		=====	
Tax expense at U.S. statutory rate.....	\$15,289	35.0%	\$ 8,695	35.0%	\$ 6,671	35.0%
State taxes, net of federal benefit.....	1,856	4.3	416	1.7	889	4.7
Difference between U.S. and Puerto Rican rates.....	(5,073)	(11.6)	(5,010)	(20.2)	(3,101)	(16.3)
Nondeductible amortization.....	760	1.7	284	1.1	187	1.0
Product donations.....	(185)	(0.4)	(229)	(0.9)	(968)	(5.1)
Other, net.....	(1,002)	(2.3)	24	0.1	(1,332)	(7.0)
	-----		-----		-----	
Taxes at effective worldwide tax rates.....	\$11,645	26.7%	\$ 4,180	16.8%	\$ 2,346	12.3%
	=====		=====		=====	

COACH, INC.

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10.) INCOME TAXES (CONTINUED)

Current and deferred tax provisions (benefits) were:

	1997		1998		1999	
	CURRENT	DEFERRED	CURRENT	DEFERRED	CURRENT	DEFERRED
Federal.....	\$10,107	\$(1,862)	\$1,553	\$1,057	\$4,680	\$(3,643)
Puerto Rico.....	853	(31)	815	(42)	585	(102)
State.....	2,855	(277)	640	157	1,367	(541)
	<u>\$13,815</u>	<u>\$(2,170)</u>	<u>\$3,008</u>	<u>\$1,172</u>	<u>\$6,632</u>	<u>\$(4,286)</u>
	=====	=====	=====	=====	=====	=====

Following are the components of the deferred tax (benefits) provisions occurring as a result of transactions being reported in different years for financial and tax reporting:

	1997	1998	1999
Depreciation.....	\$(2,056)	\$(1,783)	\$(1,852)
Employee benefits.....	1,682	1,997	(3,920)
Advertising accruals.....	2,210	(52)	52
Nondeductible reserves.....	(6,359)	221	3,788
Other, net.....	2,353	789	(2,354)
	<u>\$(2,170)</u>	<u>\$ 1,172</u>	<u>\$(4,286)</u>
	=====	=====	=====

The deferred tax assets at the respective year-ends were as follows:

	1997	1998	1999
Deferred tax assets			
Reserves not deductible until paid.....	\$12,517	\$12,296	\$ 7,245
Pension and other			
employee benefits.....	2,648	650	4,570
Property, plant and equipment.....	9,344	11,127	14,242
Other.....	2,223	1,487	3,789
Net deferred tax assets.....	<u>\$26,732</u>	<u>\$25,560</u>	<u>\$29,846</u>
	=====	=====	=====

11.) SEGMENT INFORMATION

The Company operates its business in two reportable segments: Direct to Consumer and Wholesale. The Company's reportable segments represent channels of distribution that offer similar merchandise, service and marketing strategies. Sales of Coach products through company owned retail stores, the Coach catalog and the Internet constitute the Direct to Consumer segment. Wholesale refers to sales of Coach products to other retailers. In deciding how to allocate resources and assess performance, Coach's executive officers regularly evaluate the sales and

COACH, INC.

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11.) SEGMENT INFORMATION (CONTINUED)

operating income of these segments. Operating income is the gross margin of the segment at standard cost less direct expenses of the segment. Unallocated corporate expenses include manufacturing variances, general marketing, administration and information systems, distribution and customer service expenses.

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
	-----	-----	-----	-----
1997				
Net sales.....	\$330,978	\$209,388	--	\$ 540,366
Operating income.....	93,615	74,036	\$(123,382)	44,269
Interest expense.....	--	--	492	492
Minority interest expense.....	--	--	95	95
Income before taxes.....	93,615	74,036	(123,969)	43,682
Depreciation and amortization.....	8,064	2,448	11,314	21,826
Total assets.....	115,033	62,128	84,068	261,229
Additions to long-lived assets.....	15,948	2,166	12,640	30,754

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
	-----	-----	-----	-----
1998				
Net sales.....	\$333,547	\$188,673	--	\$522,220
Operating income.....	78,899	60,708	\$(114,594)	25,013
Interest income.....	--	--	272	272
Interest expense.....	--	--	508	508
Minority interest income.....	--	--	66	66
Income before taxes.....	78,899	60,708	(114,764)	24,843
Depreciation and amortization.....	9,313	2,274	11,197	22,784
Total assets.....	136,748	64,238	56,724	257,710
Additions to long-lived assets.....	7,562	2,118	5,798	15,478

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
	-----	-----	-----	-----
1999				
Net sales.....	\$336,506	\$171,275	--	\$507,781
Operating income.....	80,615	53,193	\$(114,333) (1)	19,475
Interest income.....	--	--	27	27
Interest expense.....	--	--	441	441
Income before taxes.....	80,615	53,193	(114,747) (1)	19,061
Depreciation and amortization.....	9,876	2,153	10,227	22,256
Total assets.....	116,200	48,539	117,349	282,088
Additions to long-lived assets.....	6,308	434	7,259	14,001

Note (1)--Includes reorganization costs totaling \$7,108 in 1999.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND
THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

11.) SEGMENT INFORMATION (CONTINUED)

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED(1)	TOTAL
39 WEEKS ENDED MARCH 27, 1999				
Net sales.....	\$256,568	\$132,934	--	\$389,502
Operating income.....	66,458	42,102	\$ (86,048)(1)	22,512
Interest income.....	--	--	19	19
Interest expense.....	--	--	339	339
Income before taxes.....	66,458	42,102	(86,368)(1)	22,192
Depreciation and amortization.....	7,286	1,661	8,691	17,638
Total assets.....	116,090	50,792	118,336	285,218
Additions to long-lived assets.....	4,573	111	3,710	8,394

	DIRECT TO CONSUMER	WHOLESALE	CORPORATE UNALLOCATED	TOTAL
39 WEEKS ENDED APRIL 1, 2000				
Net sales.....	\$271,527	\$155,705	--	\$427,232
Operating income.....	80,984	56,301	\$ (89,651)	47,634
Interest income.....	--	--	26	26
Interest expenses.....	--	--	317	317
Income before taxes.....	80,984	56,301	(89,942)	47,343
Depreciation and amortization.....	7,708	1,135	7,868	16,711
Total assets.....	123,706	57,240	145,769	326,715
Additions to long-lived assets.....	14,220	847	4,387	19,454

Note (1)--Includes reorganization costs totaling \$7,108 in 1999.

The following is a summary of the common costs not allocated in the determination of segment performance.

	FISCAL YEAR ENDED			39 WEEKS ENDED	
	1997	1998	1999	MARCH 27, 1999	APRIL 1, 2000
Manufacturing variances.....	\$ 9,036	\$ 10,083	\$ 13,641	\$ 9,100	\$ 9,143
Advertising, marketing and design.....	28,447	32,840	32,514	23,068	28,270
Administration and information systems.....	58,336	44,678	35,187	27,050	34,708
Distribution and customer service.....	27,563	26,993	25,883	19,722	17,530
Reorganization costs.....	--	--	7,108	7,108	--
	<u>\$(123,382)</u>	<u>\$(114,594)</u>	<u>\$(114,333)</u>	<u>\$(86,048)</u>	<u>\$ (89,651)</u>

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND
THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

12.) GEOGRAPHIC AREA INFORMATION

As of April 1, 2000, Coach operates 104 retail stores and 62 factory stores in the United States, 2 retail locations in the United Kingdom, and operates 5 manufacturing, distribution and product development locations in the United States, Puerto Rico and Italy. Geographic revenue information is based on the location of the end customer. Geographic long-lived asset information is based on the physical location of the assets at the end of each period.

	UNITED STATES	INTERNATIONAL(1)	TOTAL
	-----	-----	-----
1997			
Net sales.....	\$485,334	\$55,032	\$540,366
Long-lived assets.....	97,387	2,832	100,219

	UNITED STATES	INTERNATIONAL(1)	TOTAL
	-----	-----	-----
1998			
Net sales.....	\$478,632	\$43,588	\$522,220
Long-lived assets.....	90,175	2,432	92,607

	UNITED STATES	INTERNATIONAL(1)	TOTAL
	-----	-----	-----
1999			
Net sales.....	\$463,027	\$44,754	\$507,781
Long-lived assets.....	77,272	677	77,949

	UNITED STATES	INTERNATIONAL(1)	TOTAL
	-----	-----	-----
39 WEEKS ENDED MARCH 27, 1999			
Net sales.....	\$356,561	\$32,941	\$389,502
Long-lived assets.....	79,447	867	80,314

	UNITED STATES	INTERNATIONAL(1)	TOTAL
	-----	-----	-----
39 WEEKS ENDED APRIL 1, 2000			
Net sales.....	\$383,441	\$43,791	\$427,232
Long-lived assets.....	80,202	632	80,834

Notes (1)--International sales reflect shipments to third party distributors primarily in East Asia and sales from Coach operated retail stores in the United Kingdom, Germany and Italy. The Germany stores were closed in the first quarter and the Italian store was closed in the second quarter of 1999.

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND

THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

13.) RELATIONSHIP WITH SARA LEE

For the periods presented, intercompany transactions and balances between Coach and Sara Lee consisted of the following:

	YEARS ENDED			39 WEEKS ENDED
	JUNE 28, 1997	JUNE 27, 1998	JULY 3, 1999	APRIL 1, 2000 (UNAUDITED)
Payable (receivable) balance at beginning of period.....	\$ 6,541	\$ 8,300	\$ 11,088	\$(54,150)
Net cash transfers to Sara Lee....	(28,882)	(25,209)	(93,386)	(57,844)
Allocation of corporate costs(1).....	30,641	27,997	28,148	22,457
Payable (receivable) balance at end of period.....	\$ 8,300	\$ 11,088	\$(54,150)	\$(89,537)
Average balance during the period.....	\$ 7,421	\$ 9,694	\$(21,531)	\$(71,843)

Note (1)--Certain corporate costs are paid by Sara Lee and charged to Coach. These items are recorded as expenses by Coach and recorded in the Payable to/receivable from Sara Lee. These costs generally include business insurance, medical insurance, employee benefit plan amounts, and income, employment and other tax amounts. These amounts are charged to Coach based upon actual Coach experience or specific identification of expense amounts.

Coach's costs and expenses include allocations from Sara Lee for certain centralized treasury, real estate, accounting, auditing, tax, risk management, human resources, and benefits administration. These allocations have been determined on bases that Coach and Sara Lee considered to be reasonable reflections of the utilization of services provided or the benefit received by Coach. The allocation methods include relevant operating profit, fixed assets, sales, tax benefits, or headcount. Allocated costs included in Selling, General and Administrative expenses in the accompanying consolidated statements of operations for the years ended 1997, 1998, and 1999 and the 39 weeks ended March 27, 1999 and April 1, 2000 are \$2,125, \$935, \$940, \$641 and \$658, respectively.

For purposes of governing certain of the ongoing relationships between Coach and Sara Lee at and after the separation date and to provide for an orderly transition, Coach and Sara Lee have entered or will enter into various agreements. A brief description of each of the intended agreements follows:

MASTER SEPARATION AGREEMENT

The Master Separation Agreement contains the key provisions relating to Coach's separation from Sara Lee, the initial public offering of Coach and Sara Lee's plans to complete the divestiture of Coach. The agreement lists the documents and other items that must be delivered in order to accomplish the transfer of assets and liabilities from Sara Lee to Coach. The agreement also contains the conditions that must occur prior to the initial public offering and contain certain

COACH, INC.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND

THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

13.) RELATIONSHIP WITH SARA LEE (CONTINUED)

covenants and other agreements including covenants to exchange information, engage in certain auditing practices, not take any action that would jeopardize Sara Lee's ownership of over 80% of Coach's outstanding capital stock, maintain confidentiality of certain information, preserve available legal privileges, engage in certain environmental and safety practices and resolve disputes in a particular manner.

GENERAL ASSIGNMENT AND ASSUMPTION AGREEMENT

The General Assignment and Assumption Agreement identifies the assets that Sara Lee will transfer to Coach and the liabilities that Coach will assume from Sara Lee in the separation. The agreement also describes when and how these transfers and assumptions will occur. In general, the assets that will be transferred and the liabilities that will be assumed are included on the consolidated and combined balance sheet.

INDEMNIFICATION AND INSURANCE MATTERS AGREEMENT

Effective as of the separation date, Coach and Sara Lee will each release the other from any liabilities arising from events occurring on or before the separation date, including events occurring in connection with the activities to implement the separation and the initial public offering. The agreement also contains provisions governing indemnification. In general, Coach will indemnify Sara Lee against liabilities arising from the Coach business and Sara Lee will indemnify Coach against liabilities arising from the Sara Lee business excluding Coach. Coach will be covered under Sara Lee's insurance policies after the initial public offering until such time that Coach is distributed.

REAL ESTATE MATTERS AGREEMENT

The Real Estate Matters Agreement addresses Coach's leased properties that Sara Lee will transfer to Coach. Prior to creating Coach as a stand-alone entity, all leased property was in the name of Sara Lee. The agreement describes the manner in which Sara Lee will transfer the properties and its related obligations to Coach. This agreement provides that Coach will accept the assignment of all leases and will reasonably cooperate and take all steps with Sara Lee to obtain landlord lease consents. This would include Coach using commercially reasonable efforts to remove any Sara Lee guarantee, surety or other security, and if required providing a guarantee, surety, indemnification or other security to the landlord or Sara Lee. The Real Estate Matters Agreement also provides that all reasonable costs required to effect the transfers, including landlord consent fees, attorney fees and any other increased costs will be paid by Coach.

MASTER TRANSITIONAL SERVICES AGREEMENT

The Master Transitional Services Agreement governs the specific services that will be provided by Sara Lee to Coach. These services include certain treasury, environmental, legal, accounting, tax, risk management and assessment services, investor relations and internal audit coordination. The services will be provided for a two-year period for a fee of \$1.0 million per year, payable in

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND

THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

13.) RELATIONSHIP WITH SARA LEE (CONTINUED)

monthly installments. This agreement automatically terminates on the date Sara Lee completes its divestiture of Coach. The charges are intended to recover the direct and indirect costs of providing the services. The agreement provides for a 10% increase in the cost beyond two years. The fee will be pro rated for the actual term of the agreement if the agreement terminates in its entirety before the end of its two year term. We may terminate the agreement with respect to any service at any time upon notice to Sara Lee, however, the termination of any service will have no effect upon the fee.

TAX SHARING AGREEMENT

The Tax Sharing Agreement governs how Coach and Sara Lee will report and account for tax related matters. While Sara Lee owns greater than 80.0% of the outstanding Coach stock, Coach will be included in the consolidated Sara Lee tax return. The Tax Sharing Agreement specifies that Sara Lee will prepare and file all income tax reporting on behalf of Coach prior to any final disposition of Coach by Sara Lee. In this regard, Sara Lee will have the exclusive right to determine the manner in which all tax returns will be prepared, methods of accounting, tax positions and any elections that are made. Coach will reimburse Sara Lee for the incremental tax costs of Coach's inclusion in the consolidated tax return with Sara Lee. The total fee in the Master Transitional Services Agreement includes the cost of these services from Sara Lee. Any tax related disputes which arise between Coach and Sara Lee will be resolved through specific dispute resolution provisions in the agreement.

EMPLOYEE MATTERS AGREEMENT

The Employee Matters Agreement allocates to Coach certain employee related assets, liabilities, and responsibilities relating to Coach employees. Under the agreement, Coach employees will be entitled to continue to participate in the Sara Lee sponsored benefit plans, such as the pension and retirement plan, health benefit program and group insurance plan, on terms comparable to those for Sara Lee employees until the earlier of the dates that Sara Lee effects an exchange or distribution of the Coach common stock.

14.) RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998 and June 1999, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities and SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133. These statements outline the accounting treatment for all derivative activity. Coach does not use derivative instruments and these accounting statements will not have an effect on Coach.

In May 2000, the Emerging Issues Task Force of the Financial Accounting Standards Board announced that it reached a conclusion on Issue 00-14 "Accounting for Sales Incentives". Issue 00-14 establishes requirements for the recognition and display of sales incentives such as

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND

THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

14.) RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

discounts, coupons and rebates within the financial statements. The Emerging Issues Task Force conclusions on this issue will become effective for reporting periods beginning after May 18, 2000. Because of the timing of the release of these conclusions, we have yet to fully assess their effect on the results of operations and financial position. Based upon the available information it is likely that the adoption of this statement will result in the reclassification of various costs within the captions of the income statement. At this time, we do not believe that the adoption of this statement would modify the pretax earnings or net income presented in these statements.

15.) SUBSEQUENT EVENTS

BENEFIT PLANS

On April 27, 2000, Sara Lee approved a benefit and compensation program for Coach that includes various short-term and long-term compensation arrangements that will be implemented by Coach after the initial public offering.

The Coach 2000 Stock Incentive Plan will become effective upon the closing of the initial public offering. The Coach Stock Incentive Plan permits the granting of stock appreciation rights, stock options and stock grants in the form of restricted stock or performance shares to employees. Concurrent with the initial public offering, Coach is expected to grant at the initial public offering price non-qualified stock options to selected members of management and the board. These options will have a ten-year life and will vest ratably over a three-year period. Certain Coach employees who hold Sara Lee stock options will also be given the choice to convert their Sara Lee options into Coach options using a conversion ratio of Coach's stock price to Sara Lee stock price, with a conversion ratio floor of 1.00.

Also concurrent with the initial public offering, Coach will grant a one-time stock option grant to substantially all full time employees. The options granted will have a five-year life and will vest ratably over a three-year period. The options will be granted at the initial public offering price.

EQUITY RESTRUCTURING AND NOTE

Prior to the initial public offering, Coach will undergo an equity restructuring which will result in \$190 million of long-term debt to a subsidiary of Sara Lee being recorded on the balance sheet of Coach with a corresponding reduction in common stockholder's equity. Once recorded, the long-term debt will accrue interest at U.S. dollar LIBOR plus 30 basis points while Sara Lee owns greater than a majority of Coach's common stock, and U.S. dollar LIBOR plus 250 basis points when Sara Lee owns less than a majority of Coach's common stock. The debt will be paid from the entire initial public offering proceeds and cash generated from operations. The debt will be guaranteed by Coach and includes restrictions on additional secured debt and sale/leaseback transactions, interest coverage ratios, covenants, and Sara Lee's right to approve the Annual Budget of Coach.

NOTES TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED JUNE 28, 1997, JUNE 27, 1998, JULY 3, 1999 AND

THE 39 WEEKS ENDED MARCH 27, 1999 (UNAUDITED) AND APRIL 1, 2000 (UNAUDITED)

(DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE DATA)

16.) PRO FORMA BALANCE SHEET INFORMATION (UNAUDITED)

Pro forma as adjusted amounts give effect to the following actions as though these actions had been taken as of April 1, 2000:

- Recording an equity restructuring which will result in \$190 million of long-term debt to a subsidiary of Sara Lee being recorded on the balance sheet of Coach with a corresponding reduction in common stockholder's equity;
- Capitalization of the receivable from Sara Lee in the amount of \$89.5 million into Sara Lee's investment;
- Coach's sale of shares of common stock in the initial public offering at an assumed initial public offering price of \$ per share and after deducting an assumed underwriting discount and estimated offering expenses payable by Coach; and
- Use of the offering proceeds to repay a portion of the \$190 million long-term debt to a subsidiary of Sara Lee.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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Through and including _____, 2000 (the 25(th) day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

Shares
COACH, INC.
Common Stock

[LOGO]

GOLDMAN, SACHS & CO.

Representatives of the Underwriters

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.

The following table sets forth the costs and expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of common stock being registered. All amounts, other than the SEC registration fee and the NASD filing fee, are estimates.

SEC registration fee.....	\$ 36,960
NASD filing fee.....	14,500
New York Stock Exchange listing fee*.....	
Printing and engraving expenses*.....	
Legal fees and expenses*.....	
Accounting fees and expenses*.....	
Blue sky fees and expenses*.....	
Transfer agent and registrar fees and expenses*.....	
Miscellaneous fees and expenses*.....	

Total*.....	\$ =====

- - - - -
* To be filed by amendment.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law.

Our charter authorizes us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify any present or former director or officer or any individual who has agreed to become a director or officer or who, while a director or officer of the Company and at the request of the Company, serves or has served another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner or trustee from and against any claim or liability to which that person may become subject or which that person may incur by reason of his or her status as a present or former director or officer, or a person who has agreed to become a director or officer, of the Company and to pay or reimburse their reasonable expenses in advance of final disposition of a proceeding. The charter and bylaws also permit the Company to indemnify and advance expenses to any person who served a predecessor of the Company in any of the capacities described above and any employee or agent of the Company or a predecessor of the Company.

Maryland law requires a corporation (unless its charter provides otherwise, which the Company's charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he is made a party by reason of his service in that capacity. Maryland law permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act

or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or on his behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES.

None.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(A) EXHIBITS:

EXHIBIT NO.	DESCRIPTION
-----	-----
1.1*	Form of Underwriting Agreement
2.1*	Form of Master Separation Agreement between Sara Lee and Coach
2.2*	Form of Tax Sharing Agreement between Sara Lee and Coach
2.3*	Form of Master Assignment and Assumption Agreement between Sara Lee and Coach
2.4*	Form of Employee Matters Agreement between Sara Lee and Coach
2.5*	Form of Real Estate Matters Agreement between Sara Lee and Coach
2.6*	Form of Transitional Services Agreement between Sara Lee and Coach
2.7*	Form of Indemnification and Insurance Matters Agreement between Sara Lee and Coach
3.1	Articles of Incorporation of Coach
3.2	Bylaws of Coach
4.1*	Specimen Certificate for Common Stock
5.1*	Opinion of Ballard Spahr Andrews & Ingersoll, LLP, special counsel to Coach
10.1*	Coach, Inc. 2000 Stock Incentive Plan
10.2*	Coach, Inc. Employee Stock Purchase Plan
10.3*	Coach, Inc. Executive Deferred Compensation Plan
10.4*	Coach, Inc. Performance-Based Annual Incentive Plan
10.5*	Coach, Inc. 2000 Non-Employee Director Stock Plan
10.6*	Coach, Inc. Non-Employee Directors' Deferred Compensation Plan
11.1*	Statement Regarding Computation of Per Share Earnings
21.1	List of Subsidiaries of Coach
23.1	Consent of Arthur Andersen, LLP
23.2*	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)
27.1	Financial Data Schedule

* To be filed by amendment.

(B) FINANCIAL STATEMENT SCHEDULES:

SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED JUNE 28, 1997, JUNE 27, 1998 AND JULY 3, 1999
(IN THOUSANDS)

	BALANCE AT BEGINNING OF YEAR	PROVISION CHARGED TO COSTS AND EXPENSES	WRITE- OFFS (1)/ ALLOWANCE TAKEN	OTHER ADDITIONS (DEDUCTIONS)(2)	BALANCE AT END OF PERIOD
	-----	-----	-----	-----	-----
FOR THE YEAR ENDED JUNE 28, 1997					
Allowances for bad debts.....	\$ 3,483	\$1,536	\$(2,678)	\$ --	\$ 2,341
Allowance for returns.....	4,055	--	--	7,035	11,090
	-----	-----	-----	-----	-----
Total.....	\$ 7,538	\$1,536	\$(2,678)	\$ 7,035	\$13,431
	=====	=====	=====	=====	=====
FOR THE YEAR ENDED JUNE 27, 1998					
Allowances for bad debts.....	\$ 2,341	\$2,304	\$(2,927)	\$ --	\$ 1,718
Allowance for returns.....	11,090	--	--	(3,848)	7,242
	-----	-----	-----	-----	-----
Total.....	\$13,431	\$2,304	\$(2,927)	\$(3,848)	\$ 8,960
	=====	=====	=====	=====	=====
FOR THE YEAR ENDED JULY 3, 1999					
Allowances for bad debts.....	\$ 1,718	\$ (171)	\$ (653)	\$ --	\$ 894
Allowance for returns.....	7,242	--	--	(2,017)	5,225
	-----	-----	-----	-----	-----
Total.....	\$ 8,960	\$ (171)	\$ (653)	\$(2,017)	\$ 6,119
	=====	=====	=====	=====	=====

(1) Net of collections on accounts previously written off.

(2) Reflects adjustment to net sales for wholesale and direct to consumer product returns, based upon historical experience.

All other schedules have been omitted because the information required to be set forth in those schedules is not applicable or is shown in the consolidated and combined financial statements or notes thereto.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes to provide to the underwriters at the closing specified in the Underwriting Agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York City, State of New York, on June 16, 2000.

COACH, INC.

By: /s/ LEW FRANKFORT

Name: Lew Frankfort
Title: Chairman and Chief Executive Officer

POWER OF ATTORNEY

We the undersigned directors and officers of Coach do hereby constitute and appoint Keith Monda our true and lawful attorney-in-fact and agent, to do any and all acts and things in our names and on our behalf in our capacities as directors and officers and to execute any and all instruments for us and in our name in the capacities indicated below, which said attorney and agent may deem necessary or advisable to enable said Registrant to comply with the Securities Act of 1933 and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statements, or any registration statement for this offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933, including specifically, but without limitation, power and authority to sign for us or any of us in our names in the capacities indicated below, any and all amendments (including post-effective amendments) hereof; and we do hereby ratify and confirm all that said attorney and agent shall do our cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities indicated below on June 16, 2000:

SIGNATURE

TITLE

/s/ LEW FRANKFORT

Lew Frankfort

Chairman, Chief Executive Officer and Director

/s/ KEITH MONDA

Keith Monda

Executive Vice President, Chief Operating Officer and Director

/s/ WAYNE SZYPULSKI

Wayne Szypulski

Vice President--Corporate Controller of Sara Lee (as principal financial officer and principal accounting officer for Coach)

/s/ GARY GROM

Gary Grom

Director

/s/ RICHARD OBERDORF

Richard Oberdorf

Director

EXHIBIT INDEX

EXHIBIT NO.

DESCRIPTION

EXHIBIT NO.	DESCRIPTION
1.1*	Form of Underwriting Agreement
2.1*	Form of Master Separation Agreement between Sara Lee and Coach
2.2*	Form of Tax Sharing Agreement between Sara Lee and Coach
2.3*	Form of Master Assignment and Assumption Agreement between Sara Lee and Coach
2.4*	Form of Employee Matters Agreement between Sara Lee and Coach
2.5*	Form of Real Estate Matters Agreement between Sara Lee and Coach
2.6*	Form of Transitional Services Agreement between Sara Lee and Coach
2.7*	Form of Indemnification and Insurance Matters Agreement between Sara Lee and Coach
3.1	Articles of Incorporation of Coach
3.2	Bylaws of Coach
4.1*	Specimen Certificate for Common Stock
5.1*	Opinion of Ballard Spahr Andrews & Ingersoll, LLP, special counsel to Coach
10.1*	Coach, Inc. 2000 Stock Incentive Plan
10.2*	Coach, Inc. Employee Stock Purchase Plan
10.3*	Coach, Inc. Executive Deferred Compensation Plan
10.4*	Coach, Inc. Performance-Based Annual Incentive Plan
10.5*	Coach, Inc. 2000 Non-Employee Director Stock Plan
10.6*	Coach, Inc. Non-Employee Directors' Deferred Compensation Plan
11.1*	Statement Regarding Computation of Per Share Earnings
21.1	List of Subsidiaries of Coach
23.1	Consent of Arthur Andersen, LLP
23.2*	Consent of Ballard Spahr Andrews & Ingersoll, LLP (included in Exhibit 5.1)
24.1	Power of Attorney (included on signature page)
27.1	Financial Data Schedule

* To be filed by amendment.

COACH, INC.

ARTICLES OF INCORPORATION

THIS IS TO CERTIFY THAT:

ARTICLE I
INCORPORATOR

The undersigned, James J. Hanks, Jr., whose address is c/o Ballard Spahr Andrews & Ingersoll, LLP, 300 East Lombard Street, Baltimore, Maryland 21202, being at least 18 years of age, does hereby form a corporation under the general laws of the State of Maryland.

ARTICLE II
NAME

The name of the corporation (the "Corporation") is:

COACH, INC.

ARTICLE III
PURPOSE

The purposes for which the Corporation is formed are to engage in any lawful act or activity for which corporations may be organized under the general laws of the State of Maryland as now or hereafter in force.

ARTICLE IV
PRINCIPAL OFFICE IN STATE AND RESIDENT AGENT

The address of the principal office of the Corporation in the State of Maryland is c/o Ballard Spahr Andrews & Ingersoll, LLP, 300 East Lombard Street, Baltimore, Maryland 21202, Attention: James J. Hanks, Jr. The name of the resident agent of the Corporation in the State of Maryland is James J. Hanks, Jr., whose post office address is c/o Ballard Spahr Andrews & Ingersoll, LLP, 300 East Lombard Street, Baltimore, Maryland 21202. The resident agent is a citizen of and resides in the State of Maryland.

ARTICLE V
PROVISIONS FOR DEFINING, LIMITING
AND REGULATING CERTAIN POWERS OF THE
CORPORATION AND OF THE STOCKHOLDERS AND DIRECTORS

Section 5.1 NUMBER OF DIRECTORS. The business and affairs of the Corporation shall be managed under the direction of the Board of Directors. The number of directors of the Corporation initially shall be four, which number may be increased or decreased by the Board of Directors pursuant to the Bylaws, but shall never be less than the minimum number required by the Maryland General Corporation Law (the "MGCL"). The names of the directors who shall serve until the first annual meeting of stockholders and until their successors are duly elected and qualify are:

Lew Frankfort
Gary Grom
Keith Monda
Richard Oberdorf

The Corporation elects, at such time as such election becomes available under Section 3-802(b) of the MGCL, that, except as may be provided by the Board of Directors in setting the terms of any class or series of Preferred Stock (as hereinafter defined), any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred; PROVIDED, HOWEVER, that at any time at which there is a Majority Holder, any vacancy on the Board of Directors which results from the removal of a director may be filled only by the affirmative vote of the holder or holders of shares entitled to cast a majority of the votes entitled to be cast generally in the election of directors and any vacancy which results from any reason other than removal shall be filled only by the affirmative vote of a majority of the remaining directors and only with a director having the qualification of having been nominated, and whose election has been consented to, by the Majority Holder or, if such vacancy remains unfilled at the time of the next meeting of the stockholders, by the affirmative vote of the holder or holders of shares entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

As used herein, "Majority Holder" means any Person, who, together with its Affiliates, beneficially owns shares the holders of which are entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

As used herein, "Person" shall mean an individual, corporation, partnership, estate, trust, association, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

As used herein, "Affiliate" means as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. Without limitation, any director, trustee, executive officer or beneficial owner of 10% or more of the equity of a Person shall for the purposes of this charter, be deemed to control the other Person.

The Corporation elects, at such time as such election becomes available under Section 3-802(b) of the MGCL, that the directors may not be designated into classes pursuant to Section 3-803 of the MGCL without the approval of a majority of the votes cast on such matter by the holders of shares entitled to vote generally in the election of directors.

Section 5.2 EXTRAORDINARY ACTIONS. Any provision of law permitting or requiring any action to be taken or authorized by the affirmative vote of the holders of a greater number of votes, any such action shall be effective and valid if taken or authorized by the affirmative vote of holders of shares entitled to cast a majority of all the votes entitled to be cast on the matter.

Section 5.3 AUTHORIZATION BY BOARD OF STOCK ISSUANCE. The Board of Directors may authorize the issuance from time to time of shares of stock of the Corporation of any class or series, whether now or hereafter authorized, or securities or rights convertible into shares of its stock of any class or series, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable (or without consideration in the case of a stock split or stock dividend), subject to such restrictions or limitations, if any, as may be set forth in the charter or the Bylaws.

Section 5.4 PREEMPTIVE RIGHTS. Except as may be provided by the Board of Directors in setting the terms of classified or reclassified shares of stock pursuant to Section 6.4, no holder of shares of stock of the Corporation shall, as such holder, have any preemptive right to purchase or subscribe for any additional shares of stock of the Corporation or any other security of the Corporation which it may issue or sell.

Section 5.5 INDEMNIFICATION. The Corporation shall have the power, to the maximum extent permitted by Maryland law in effect from time to time, to obligate itself to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (a) any individual who is a present or former director or officer of the Corporation or (b) any individual who, while a director of the Corporation and at the request of the Corporation, serves or has served as a director, officer, partner or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or any other enterprise from and against any claim or liability to which such person may become subject or which such person may incur by reason of his or her service in that capacity. The Corporation shall have the power, with the

approval of the Board of Directors, to provide such indemnification and advancement of expenses to a person who served a predecessor of the Corporation in any of the capacities described in (a) or (b) above and to any employee or agent of the Corporation or a predecessor of the Corporation.

Section 5.6 DETERMINATIONS BY BOARD. The determination by the Board of Directors as to any matter relating to the business and affairs of the Corporation shall be final and conclusive and shall be binding upon the Corporation and every holder of shares of its stock.

ARTICLE VI STOCK

Section 6.1 AUTHORIZED SHARES. The Corporation has authority to issue 100,000,000 shares of Common Stock, \$.01 par value per share ("Common Stock"), 25,000,000 shares of Preferred Stock, \$.01 par value per share ("Preferred Stock"). The aggregate par value of all authorized shares of stock having par value is \$1,250,000. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to this Article VI, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Corporation has authority to issue shall not be more than the total number of shares of stock set forth in the first sentence of this paragraph. The Board of Directors, without any action by the stockholders of the Corporation, may amend the charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that the Corporation has authority to issue.

Section 6.2 COMMON STOCK. Each share of Common Stock shall entitle the holder thereof to one vote. The Board of Directors may reclassify any unissued shares of Common Stock from time to time in one or more classes or series of stock.

Section 6.3 PREFERRED STOCK. The Board of Directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any series from time to time, in one or more classes or series of stock.

Section 6.4 CLASSIFIED OR RECLASSIFIED SHARES. Prior to issuance of classified or reclassified shares of any class or series, the Board of Directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Corporation; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the express terms of any class or series of stock of the Corporation outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Corporation to file articles supplementary with the State Department of Assessments and Taxation of Maryland ("SDAT"). Any of the terms of any class or series of

stock set or changed pursuant to clause (c) of this Section 6.4 may be made dependent upon facts or events ascertainable outside the charter (including determinations by the Board of Directors or other facts or events within the control of the Corporation) and may vary among holders thereof, provided that the manner in which such facts, events or variations shall operate upon the terms of such class or series of stock is clearly and expressly set forth in the articles supplementary filed with the SDAT.

Section 6.5 CHARTER AND BYLAWS. All persons who shall acquire stock in the Corporation shall acquire the same subject to the provisions of the charter and the Bylaws.

ARTICLE VII
AMENDMENTS

The Corporation reserves the right from time to time to make any amendment to its charter, now or hereafter authorized by law, including any amendment altering the terms or contract rights, as expressly set forth in this charter, of any shares of outstanding stock. All rights and powers conferred by the charter on stockholders, directors and officers are granted subject to this reservation.

ARTICLE VIII
CONFLICTS OF INTEREST

Section 8.1 The Corporation previously was a wholly-owned subsidiary or division of Sara Lee (as defined below). In anticipation of the fact that the Corporation will cease to be a wholly-owned subsidiary of Sara Lee, but that Sara Lee may remain a stockholder of the Corporation, and in anticipation that the Corporation and Sara Lee may engage in the same or similar activities or lines of business and have an interest in the same areas of corporate opportunities, and in recognition of (i) the benefits to be derived by the Corporation through its continued contractual, corporate and business relations with Sara Lee (including service of officers and directors of Sara Lee as officers and directors of the Corporation) and (ii) the difficulties attendant to any director, who desires and endeavors fully to satisfy such director's duties, in determining the full scope of such duties in any particular situation, the provisions of this Article VIII are set forth to regulate, define and guide the conduct of certain business and affairs of the Corporation as they may involve Sara Lee and its officers and directors, and the powers, rights, duties and liabilities of the Corporation and its officers, directors and stockholders in connection therewith.

Section 8.2 Except as Sara Lee may otherwise agree in writing,

(a) Sara Lee shall not have a duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as the Corporation, and

(b) neither Sara Lee nor any officer or director thereof shall be liable to the Corporation or its stockholders for breach of any duty by reason of any such activities of Sara Lee or of such person's participation therein.

Section 8.3 In the event that Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for Sara Lee and the Corporation, Sara Lee shall have no duty to communicate or offer such corporate opportunity to the Corporation and shall not be liable to the Corporation or its stockholders for breach of any duty as a stockholder of the Corporation or controlling person of a stockholder by reason of the fact that Sara Lee pursues or acquires such corporate opportunity for itself, directs such corporate opportunity to another person or entity, or does not communicate information regarding, or offer, such corporate opportunity to the Corporation.

Section 8.4 In the event that a director, officer or employee of the Corporation who is also a director, officer or employee of Sara Lee acquires knowledge of a potential transaction or matter that may be a corporate opportunity for the Corporation and Sara Lee (whether such potential transaction or matter is proposed by a third-party or is conceived of by such director, officer or employee of the Corporation), such director, officer or employee shall be entitled to offer such corporate opportunity to the Corporation or Sara Lee as such director, officer or employee deems appropriate under the circumstances in his or her sole discretion, and no such director, officer or employee shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that (i) such director, officer or employee offered such corporate opportunity to Sara Lee (rather than the Corporation) or did not communicate information regarding such corporate opportunity to the Corporation or (ii) Sara Lee pursues or acquires such corporate opportunity for itself or directs such corporate opportunity to another person or does not communicate information regarding such corporate opportunity to the Corporation.

Neither Sara Lee nor any officer or director thereof shall be liable to the Corporation or its stockholders for breach of any duty by reason of the fact that Sara Lee or an officer or director thereof takes or fails to take any action or exercises or fails to exercise any right or gives or withholds any consent in connection with any agreement or contract between Sara Lee and the Corporation. No vote cast or other action taken by such person in his or her capacity as a director of the Corporation, shall constitute an action of or exercise of a right or a consent of Sara Lee for the purpose of any such agreement or contract.

Section 8.5 Any Person purchasing or otherwise acquiring any interest in any shares of stock of the Corporation shall be deemed to have notice of and to have consented to the provisions of this Article VIII.

Section 8.6 For purposes of this Article VIII only, (i) the term "Corporation" shall mean the Corporation and its Affiliates, other than Sara Lee, and (ii) the term "Sara Lee" shall mean Sara Lee Corporation, a Maryland corporation, its successors and its Affiliates, other

than the Corporation, and shall also include any Majority Holder to whom Sara Lee has transferred its stock of the Corporation.

Section 8.7 Notwithstanding anything in this charter to the contrary, the foregoing provisions of this Article VIII shall expire on the date that Sara Lee ceases to beneficially own stock of the Corporation representing at least 50% of the total number of outstanding shares of stock entitled to vote generally in the election of directors of the Corporation. Neither the alteration, amendment, change or repeal of any provision of this Article VIII nor the adoption of any provision of this charter inconsistent with any provision of this Article VIII shall eliminate or reduce the effect of this Article VIII in respect of any matter occurring, or any cause of action, suit or claim that, but for this Article VIII, would accrue or arise, prior to such alteration, amendment, repeal or adoption.

ARTICLE IX
LIMITATION OF LIABILITY

To the maximum extent that Maryland law in effect from time to time permits limitation of the liability of directors and officers of a corporation, no director or officer of the Corporation shall be liable to the Corporation or its stockholders for money damages. Neither the amendment nor repeal of this Article IX, nor the adoption or amendment of any other provision of the charter or Bylaws inconsistent with this Article IX, shall apply to or affect in any respect the applicability of the preceding sentence with respect to any act or failure to act which occurred prior to such amendment, repeal or adoption.

IN WITNESS WHEREOF, I have signed these Articles of Incorporation and acknowledge the same to be my act on this 1st day of June, 2000.

/s/ James J. Hanks, Jr.

COACH, INC.

BYLAWS

ARTICLE I
OFFICES

Section 1. PRINCIPAL OFFICE. The principal office of the Corporation in the State of Maryland shall be located at such place as the Board of Directors may designate.

Section 2. ADDITIONAL OFFICES. The Corporation may have additional offices, including a principal executive office, at such places as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
MEETINGS OF STOCKHOLDERS

Section 1. PLACE. All meetings of stockholders shall be held at the principal office of the Corporation or at such other place as shall be stated in the notice of the meeting.

Section 2. ANNUAL MEETING. An annual meeting of the stockholders for the election of directors and the transaction of any business within the powers of the Corporation shall be held on a date and at the time set by the Board of Directors during the 31-day period beginning with the 15th day before the second Thursday in October in each year.

Section 3. SPECIAL MEETINGS.

(a) GENERAL. The chairman of the board, president, chief executive officer or Board of Directors may call a special meeting of the stockholders. Subject to subsection (b) of this Section 3, a special meeting of stockholders shall also be called by the secretary of the Corporation upon the written request of the stockholders entitled to cast not less than a majority of all the votes entitled to be cast at such meeting.

(b) STOCKHOLDER REQUESTED SPECIAL MEETINGS. (1) Any stockholder of record seeking to have stockholders request a special meeting shall, by sending written notice to the secretary (the "Record Date Request Notice") by registered mail, return receipt requested, request the Board of Directors to fix a record date to determine the stockholders entitled to request a special meeting (the "Request Record Date"). The Record Date Request Notice shall set forth the purpose of the meeting and the matters proposed to be acted on at it, shall be signed by one or more stockholders of record as of the date of signature (or their duly authorized agents), shall bear the date of signature of

each such stockholder (or other agent) and shall set forth all information relating to each such stockholder that must be disclosed in solicitations of proxies for election of directors in an election contest (even if an election contest is not involved), or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 14a-11 thereunder. Upon receiving the Record Date Request Notice, the Board of Directors may fix a Request Record Date. The Request Record Date shall not precede and shall not be more than ten days after the close of business on the date on which the resolution fixing the Request Record Date is adopted by the Board of Directors. If the Board of Directors, within ten days after the date on which a valid Record Date Request Notice is received, fails to adopt a resolution fixing the Request Record Date and make a public announcement of such Request Record Date, the Request Record Date shall be the close of business on the tenth day after the first date on which the Record Date Request Notice is received by the secretary.

(2) In order for any stockholder to request a special meeting, one or more written requests for a special meeting signed by stockholders of record (or their duly authorized agents) as of the Request Record Date entitled to cast not less than a majority (the "Special Meeting Percentage") of all of the votes entitled to be cast at such meeting (the "Special Meeting Request") shall be delivered to the secretary. In addition, the Special Meeting Request shall set forth the purpose of the meeting and the matters proposed to be acted on at it (which shall be limited to the matters set forth in the Record Date Request Notice received by the secretary), shall bear the date of signature of each such stockholder (or other agent) signing the Special Meeting Request, shall set forth the name and address, as they appear in the Corporation's books, of each stockholder signing such request (or on whose behalf the Special Meeting Request is signed) and the class and number of shares of stock of the Corporation which are owned of record and beneficially by each such stockholder, shall be sent to the secretary by registered mail, return receipt requested, and shall be received by the secretary within 60 days after the Request Record Date. Any requesting stockholder may revoke his, her or its request for a special meeting at any time by written revocation delivered to the secretary.

(3) The secretary shall inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Corporation's proxy materials). The secretary shall not be required to call a special meeting upon stockholder request and such meeting shall not be held unless, in addition to the documents required by paragraph (2) of this Section 3(b), the secretary receives payment of such reasonably estimated cost prior to the preparing and mailing of any notice of the meeting.

(4) Except as provided in the next sentence, any special meeting shall be held at such place, date and time as may be designated by the president, chief executive officer or Board of Directors, whoever has called the meeting. In the case of any special meeting called by the secretary upon the request of stockholders (a "Stockholder Requested Meeting"), such meeting shall be held at such place, date and time as may be designated by the Board of Directors; PROVIDED, however, that the date of any Stockholder Requested Meeting shall be not more than 90 days after the record date for

such meeting (the "Meeting Record Date"); and PROVIDED FURTHER that if the Board of Directors fails to designate, within ten days after the date that a valid Special Meeting Request is actually received by the secretary (the "Delivery Date"), a date and time for a Stockholder Requested Meeting, then such meeting shall be held at 2:00 p.m. local time on the 90th day after the Meeting Record Date or, if such 90th day is not a Business Day (as defined below), on the first preceding Business Day; and PROVIDED FURTHER that in the event that the Board of Directors fails to designate a place for a Stockholder Requested Meeting within ten days after the Delivery Date, then such meeting shall be held at the principal executive offices of the Corporation. In fixing a date for any special meeting, the president, chief executive officer or Board of Directors may consider such factors as he, she or it deems relevant within the good faith exercise of business judgment, including, without limitation, the nature of the matters to be considered, the facts and circumstances surrounding any request for meeting and any plan of the Board of Directors to call an annual meeting or a special meeting. In the case of any Stockholder Requested Meeting, if the Board of Directors fails to fix a Meeting Record Date that is a date within 30 days after the Delivery Date, then the close of business on the 30th day after the Delivery Date shall be the Meeting Record Date.

(5) If at any time as a result of written revocations of requests for the special meeting, stockholders of record (or their duly authorized agents) as of the Request Record Date entitled to cast less than the Special Meeting Percentage shall have delivered and not revoked requests for a special meeting, the secretary may refrain from mailing the notice of the meeting or, if the notice of the meeting has been mailed, the secretary may revoke the notice of the meeting at any time before ten days before the meeting if the secretary has first sent to all other requesting stockholders written notice of such revocation and of intention to revoke the notice of the meeting. Any request for a special meeting received after a revocation by the secretary of a notice of a meeting shall be considered a request for a new special meeting.

(6) The chairman of the Board of Directors, the president or the Board of Directors may appoint regionally or nationally recognized independent inspectors of elections to act as the agent of the Corporation for the purpose of promptly performing a ministerial review of the validity of any purported Special Meeting Request received by the secretary. For the purpose of permitting the inspectors to perform such review, no such purported request shall be deemed to have been delivered to the secretary until the earlier of (i) five Business Days after receipt by the secretary of such purported request and (ii) such date as the independent inspectors certify to the Corporation that the valid requests received by the secretary represent at least a majority of the issued and outstanding shares of stock that would be entitled to vote at such meeting. Nothing contained in this paragraph (6) shall in any way be construed to suggest or imply that the Corporation or any stockholder shall not be entitled to contest the validity of any request, whether during or after such five Business Day period, or to take any other action (including, without limitation, the commencement, prosecution or defense of any litigation with respect thereto, and the seeking of injunctive relief in such litigation).

(7) For purposes of these Bylaws, "Business Day" shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Section 4. NOTICE. Not less than ten nor more than 90 days before each meeting of stockholders, the secretary shall give to each stockholder entitled to vote at such meeting and to each stockholder not entitled to vote who is entitled to notice of the meeting written or printed notice stating the time and place of the meeting and, in the case of a special meeting or as otherwise may be required by any statute, the purpose for which the meeting is called, either by mail or by presenting it to such stockholder personally or by leaving it at the stockholder's residence or usual place of business or by any other means permitted by Maryland law. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the stockholder's address as it appears on the records of the Corporation, with postage thereon prepaid.

Section 5. SCOPE OF NOTICE. Any business of the Corporation may be transacted at an annual meeting of stockholders without being specifically designated in the notice, except such business as is required by any statute to be stated in such notice. No business shall be transacted at a special meeting of stockholders except as specifically designated in the notice.

Section 6. ORGANIZATION AND CONDUCT. Every meeting of stockholders shall be conducted by an individual appointed by the Board of Directors to be chairman of the meeting or, in the absence of such appointment, by the chairman of the board or, in the case of a vacancy in the office or absence of the chairman of the board, by one of the following officers present at the meeting: the vice chairman of the board, if there be one, the president, the vice presidents in their order of seniority, or, in the absence of such officers, a chairman chosen by the stockholders by the vote of a majority of the votes cast by stockholders present in person or by proxy. The secretary, or, in the secretary's absence, an assistant secretary, or in the absence of both the secretary and assistant secretaries, a person appointed by the Board of Directors or, in the absence of such appointment, a person appointed by the chairman of the meeting shall act as secretary of the meeting. In the event that the secretary presides at a meeting of the stockholders, an assistant secretary shall record the minutes of the meeting. The order of business and all other matters of procedure at any meeting of stockholders shall be determined by the chairman of the meeting. The chairman of the meeting may prescribe such rules, regulations and procedures and take such action as, in the discretion of such chairman, are appropriate for the proper conduct of the meeting, including, without limitation, (a) restricting admission to the time set for the commencement of the meeting; (b) limiting attendance at the meeting to stockholders of record of the Corporation, their duly authorized proxies or other such persons as the chairman of the meeting may determine; (c) limiting participation at the meeting on any matter to stockholders of record of the Corporation entitled to vote on such matter, their duly authorized proxies or other such persons as the chairman of the meeting may determine; (d) limiting the time allotted to questions or comments by participants; (e) maintaining order and security at

the meeting; (f) removing any stockholder who refuses to comply with meeting procedures, rules or guidelines as set forth by the chairman of the meeting; and (g) recessing or adjourning the meeting to a later date and time and place announced at the meeting. Unless otherwise determined by the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

Section 7. QUORUM. At any meeting of stockholders, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum; but this section shall not affect any requirement under any statute or the charter of the Corporation for the vote necessary for the adoption of any measure. If, however, such quorum shall not be present at any meeting of the stockholders, the chairman of the meeting or the stockholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the meeting. At such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

The stockholders present either in person or by proxy, at a meeting which has been duly called and convened, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

Section 8. VOTING. A plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by statute or by the charter of the Corporation. Unless otherwise provided in the charter, each outstanding share, regardless of class, shall be entitled to one vote on each matter submitted to a vote at a meeting of stockholders.

Section 9. PROXIES. A stockholder may cast the votes entitled to be cast by the shares of the stock owned of record by the stockholder either in person or by proxy executed in writing by the stockholder or by the stockholder's duly authorized agent in any manner permitted by law. Such proxy shall be filed with the secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 10. VOTING OF STOCK BY CERTAIN HOLDERS. Stock of the Corporation registered in the name of a corporation, partnership, trust or other entity, if entitled to be voted, may be voted by the president or a vice president, a general partner or trustee thereof, as the case may be, or a proxy appointed by any of the foregoing individuals, unless some other person who has been appointed to vote such

stock pursuant to a bylaw or a resolution of the governing body of such corporation or other entity or agreement of the partners of a partnership presents a certified copy of such bylaw, resolution or agreement, in which case such person may vote such stock. Any director or other fiduciary may vote stock registered in his or her name as such fiduciary, either in person or by proxy.

Shares of stock of the Corporation directly or indirectly owned by it shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares entitled to be voted at any given time, unless they are held by it in a fiduciary capacity, in which case they may be voted and shall be counted in determining the total number of outstanding shares at any given time.

The Board of Directors may adopt by resolution a procedure by which a stockholder may certify in writing to the Corporation that any shares of stock registered in the name of the stockholder are held for the account of a specified person other than the stockholder. The resolution shall set forth the class of stockholders who may make the certification, the purpose for which the certification may be made, the form of certification and the information to be contained in it; if the certification is with respect to a record date or closing of the stock transfer books, the time after the record date or closing of the stock transfer books within which the certification must be received by the Corporation; and any other provisions with respect to the procedure which the Board of Directors considers necessary or desirable. On receipt of such certification, the person specified in the certification shall be regarded as, for the purposes set forth in the certification, the stockholder of record of the specified stock in place of the stockholder who makes the certification.

Section 11. INSPECTORS. The Board of Directors, the chairman of the board or the chairman of any meeting of stockholders, before or at any meeting, may, but need not, appoint one or more individual inspectors or one or more entities that designate individuals as inspectors to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the chairman of the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by the Board of Directors, the chairman of the board or the chairman of the meeting before or at the meeting. The inspectors, if any, shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, and do such acts as are proper to conduct the election or vote with fairness. Each such report shall be in writing and signed by him or her or by a majority of them if there is more than one inspector acting at such meeting. If there is more than one inspector, the report of a majority shall be the report of the inspectors. The report of the inspector or inspectors on the number of shares represented at the meeting and the results of the voting shall be PRIMA FACIE evidence thereof.

Section 12. NOMINATIONS AND PROPOSALS BY STOCKHOLDERS.

(a) ANNUAL MEETINGS OF STOCKHOLDERS. (1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors, (iii) by any stockholder of the Corporation who was a stockholder of record both at the time of giving of notice provided for in this Section 12(a) and at the time of the annual meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(a), or (iv) by or at the direction of Sara Lee, a Maryland corporation, or any of its affiliates (collectively, "Sara Lee") during any period in which Sara Lee beneficially owns shares of stock entitled to cast at least 50% of the votes entitled to be cast generally in the election of directors, without compliance with the notice procedures set forth in this Section 12(a).

(2) For nominations for election to the Board of Directors or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 12, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for action by stockholders. To be timely, a stockholder's notice must be delivered to the Secretary at the principal executive office of the Corporation by not later than the close of business on the 90th day prior to the first anniversary of the date of the preceding year's annual meeting nor earlier than the close of business on the 120th day prior to the first anniversary of the date of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the anniversary date of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th day prior to the date of such annual meeting and not later than the close of business on the later of the 90th day prior to the date of such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made by the Corporation. In no event shall the public announcement of a postponement of such annual meeting or of an adjournment or postponement of an annual meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above. A stockholder's notice to be proper must set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director (A) the name, age, business address and residence address of such person, (B) the class and number of shares of stock of the Corporation that are beneficially owned or owned of record by such person and (C) all other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A (or any successor provision) under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a description of the business desired to be brought before the meeting, the reasons for conducting such

business at the meeting and any interest in such business of such stockholder (including any anticipated benefit to the stockholder therefrom) and of each beneficial owner, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and each beneficial owner, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's stock ledger and current name and address, if different, and of such beneficial owner, and (y) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 12 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation of such action or specifying the size of the increased Board of Directors at least 100 days prior to the first anniversary of the date of the preceding year's annual meeting, a stockholder's notice required by this Section 12(a) shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if the notice is delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day immediately following the day on which such public announcement is first made by the Corporation.

(b) SPECIAL MEETINGS OF STOCKHOLDERS. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors, (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who is a stockholder of record both at the time of giving of notice provided for in this Section 12(b) and at the time of the special meeting, who is entitled to vote at the meeting and who complied with the notice procedures set forth in this Section 12(b) or (iv) by or at the direction of Sara Lee during any period in which Sara Lee beneficially owns shares of stock entitled to cast at least 50% of the votes entitled to be cast generally in the election of directors, without compliance with the notice procedures set forth in this Section 12(b). In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be) for election to such position as specified in the Corporation's notice of meeting, if the stockholder's notice containing the information required by paragraph (a)(2) of this Section 12 shall have been delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th day prior to such special meeting and not later than the close of business on the later of the 90th day prior to such special meeting or the tenth day following the day on which public announcement is first made of the date of the special meeting and the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of a postponement or adjournment of a special meeting to a later date or time commence a new time period for the giving of a stockholder's notice as described above.

(c) GENERAL. (1) Only such persons who are nominated in accordance with the procedures set forth in this Section 12 shall be eligible to serve as directors, and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 12. The chairman of the meeting shall have the power and duty to determine whether a nomination or any other business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 12 and, if any proposed nomination or other business is not in compliance with this Section 12, to declare that such nomination or proposal shall be disregarded.

(2) For purposes of this Section 12, the "public announcement" shall mean disclosure (a) in a press release either transmitted to the principal securities exchange on which shares of the Corporation's common stock are traded or reported by a recognized news service or (b) in a document publicly filed by the Corporation with the United States Securities and Exchange Commission.

(3) Notwithstanding the foregoing provisions of this Section 12, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 12. Nothing in this Section 12 shall be deemed to affect any right of a stockholder to request inclusion of a proposal in, nor the right of the Corporation to omit a proposal from, the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

Section 13. VOTING BY BALLOT. Voting on any question or in any election may be viva voce unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

Section 14. CONTROL SHARE ACQUISITION ACT. Notwithstanding any other provision of the charter of the Corporation or these Bylaws, Title 3, Subtitle 7 of the Maryland General Corporation Law (or any successor statute) shall not apply to any acquisition by any person of shares of stock of the Corporation. This section may be repealed, in whole or in part, at any time, whether before or after an acquisition of control shares and, upon such repeal, may, to the extent provided by any successor bylaw, apply to any prior or subsequent control share acquisition.

ARTICLE III DIRECTORS

Section 1. GENERAL POWERS. The business and affairs of the Corporation shall be managed under the direction of its Board of Directors.

Section 2. NUMBER, TENURE AND QUALIFICATIONS. At any regular meeting or at any special meeting called for that purpose, a majority of the entire Board of Directors may establish, increase or decrease the number of directors,

provided that the number thereof shall never be less than the minimum number required by the Maryland General Corporation Law and further provided that the tenure of office of a director shall not be affected by any decrease in the number of directors.

Section 3. ANNUAL AND REGULAR MEETINGS. An annual meeting of the Board of Directors shall be held immediately after and at the same place as the annual meeting of stockholders, no notice other than this Bylaw being necessary. In the event such meeting is not so held, the meeting may be held at such time and place as shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors.

Section 4. SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the chairman of the board, the chief executive officer, the president or by a majority of the directors then in office. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The Board of Directors may provide, by resolution, the time and place for the holding of special meetings of the Board of Directors without other notice than such resolution.

Section 5. NOTICE. Notice of any special meeting of the Board of Directors shall be delivered personally or by telephone, electronic mail, facsimile transmission, United States mail or courier to each director at his or her business or residence address. Notice by personal delivery, telephone, electronic mail or facsimile transmission shall be given at least 24 hours prior to the meeting. Notice by United States mail shall be given at least three days prior to the meeting. Notice by courier shall be given at least two days prior to the meeting. Telephone notice shall be deemed to be given when the director or his or her agent is personally given such notice in a telephone call to which the director or his or her agent is a party. Electronic mail notice shall be deemed to be given upon transmission of the message to the electronic mail address given to the Corporation by the director. Facsimile transmission notice shall be deemed to be given upon completion of the transmission of the message to the number given to the Corporation by the director and receipt of a completed answer-back indicating receipt. Notice by United States mail shall be deemed to be given when deposited in the United States mail properly addressed, with postage thereon prepaid. Notice by courier shall be deemed to be given when deposited with or delivered to a courier properly addressed. Neither the business to be transacted at, nor the purpose of, any annual, regular or special meeting of the Board of Directors need be stated in the notice, unless specifically required by statute or these Bylaws.

Section 6. QUORUM. The presence of a majority of the directors shall constitute a quorum for transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice, and provided further that if, pursuant to the charter of the

Corporation or these Bylaws, the vote of a majority of a particular group of directors is required for action, a quorum must also include a majority of such group.

The directors present at a meeting which has been duly called and convened may continue to transact business until adjournment, notwithstanding the withdrawal of enough directors to leave less than a quorum.

Section 7. VOTING. The action of the majority of the directors present at a meeting at which a quorum is present shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable statute. If enough directors have withdrawn from a meeting to leave less than a quorum but the meeting is not adjourned, the action of the majority of the directors still present at such meeting shall be the action of the Board of Directors, unless the concurrence of a greater proportion is required for such action by applicable law or the charter.

Section 8. ORGANIZATION. At each meeting of the Board of Directors, the chairman of the board or, in the absence of the chairman, the vice chairman of the board, if any, shall act as chairman. In the absence of both the chairman and vice chairman of the board, the chief executive officer or in the absence of the chief executive officer, the president or in the absence of the president, a director chosen by a majority of the directors present, shall act as chairman. The secretary or, in his or her absence, an assistant secretary of the Corporation, or in the absence of the secretary and all assistant secretaries, a person appointed by the chairman, shall act as secretary of the meeting.

Section 9. TELEPHONE MEETINGS. Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 10. WRITTEN CONSENT BY DIRECTORS. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each director and such written consent is filed with the minutes of proceedings of the Board of Directors.

Section 11. VACANCIES. If for any reason any or all the directors cease to be directors, such event shall not terminate the Corporation or affect these Bylaws or the powers of the remaining directors hereunder (even if fewer than three directors remain). Except as may be provided by the Board of Directors in setting the terms of any class or series of preferred stock, any and all vacancies on the Board of Directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum and any director elected to fill a vacancy shall serve for the remainder of the full term of the directorship in which such vacancy occurred; PROVIDED, HOWEVER, that at any time at

which there is a Majority Holder, any vacancy on the Board of Directors which results from the removal of a director may be filled only by the affirmative vote of the holder or holders of shares entitled to cast a majority of the votes entitled to be cast generally in the election of directors and any vacancy which results from any reason other than removal shall be filled only by the affirmative vote of a majority of the remaining directors and then only with a director having the qualification of having been nominated, and whose election has been consented to, by the Majority Holder or, if such vacancy remains unfilled at the time of the next meeting of the stockholders, by the affirmative vote of the holder or holders of shares entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

As used herein, "Majority Holder" means any Person, who, together with its Affiliates, beneficially owns shares the holders of which are entitled to cast a majority of the votes entitled to be cast generally in the election of directors.

As used herein, "Person" shall mean an individual, corporation, partnership, estate, trust, association, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

As used herein, "Affiliate" means as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. Without limitation, any director, trustee, executive officer or beneficial owner of 10% or more of the equity of a Person shall for the purposes of this charter, be deemed to control the other Person.

Section 12. COMPENSATION. Directors shall not receive any stated salary for their services as directors but, by resolution of the Board of Directors, may receive compensation per year and/or per meeting and/or per visit to real property or other facilities owned or leased by the Corporation and for any service or activity they performed or engaged in as directors. Directors may be reimbursed for expenses of attendance, if any, at each annual, regular or special meeting of the Board of Directors or of any committee thereof and for their expenses, if any, in connection with each property visit and any other service or activity they performed or engaged in as directors; but nothing herein contained shall be construed to preclude any directors from serving the Corporation in any other capacity and receiving compensation therefor.

Section 13. LOSS OF DEPOSITS. No director shall be liable for any loss which may occur by reason of the failure of the bank, trust company, savings and loan association, or other institution with whom moneys or stock have been deposited.

Section 14. SURETY BONDS. Unless required by law, no director shall be obligated to give any bond or surety or other security for the performance of any of his or her duties.

Section 15. RELIANCE. Each director, officer, employee and agent of the Corporation shall, in the performance of his or her duties with respect to the Corporation, be fully justified and protected with regard to any act or failure to act in reliance in good faith upon the books of account or other records of the Corporation, upon an opinion of counsel or upon reports made to the Corporation by any of its officers or employees or by the adviser, accountants, appraisers or other experts or consultants selected by the Board of Directors or officers of the Corporation, regardless of whether such counsel or expert may also be a director.

Section 16. RATIFICATION. Any transaction questioned in any stockholders' derivative proceeding on the ground of lack of authority, defective or irregular execution, adverse interest of director, officer or stockholder, non-disclosure, miscomputation, or the application of improper principles or practices of accounting may be ratified before or after judgment, by the Board of Directors (excluding any director who is a party to such proceeding) or by the stockholders if less than a quorum of directors is qualified; and, if so ratified, shall have the same force and effect as if the questioned transaction had been originally duly authorized, and said ratification shall be binding upon the Corporation and its stockholders and shall constitute a bar to any claim or execution of any judgment in respect of such questioned transaction.

ARTICLE IV COMMITTEES

Section 1. NUMBER, TENURE AND QUALIFICATIONS. The Board of Directors may appoint from among its members an Executive Committee, an Audit Committee, a Compensation and Employee Benefits Committee and other committees, composed of one or more directors, to serve at the pleasure of the Board of Directors.

Section 2. POWERS. The Board of Directors may delegate to committees appointed under Section 1 of this Article any of the powers of the Board of Directors, except as prohibited by law.

Section 3. MEETINGS. Notice of committee meetings shall be given in the same manner as notice for special meetings of the Board of Directors. A majority of the members of the committee shall constitute a quorum for the transaction of business at any meeting of the committee. The act of a majority of the committee members present at a meeting shall be the act of such committee. The Board of Directors may designate a chairman of any committee, and such chairman or, in the absence of a chairman, any two members of any committee (if there are at least two members of the Committee) may fix the time and place of its meeting unless the Board shall otherwise provide. Each committee shall keep minutes of its proceedings.

Section 4. TELEPHONE MEETINGS. Members of a committee of the Board of Directors may participate in a meeting by means of a conference telephone or similar communications equipment if all persons participating in the meeting can hear each other at the same time. Participation in a meeting by these means shall constitute presence in person at the meeting.

Section 5. WRITTEN CONSENT BY COMMITTEES. Any action required or permitted to be taken at any meeting of a committee of the Board of Directors may be taken without a meeting, if a consent in writing to such action is signed by each member of the committee and such written consent is filed with the minutes of proceedings of such committee.

Section 6. VACANCIES. Subject to the provisions hereof, the Board of Directors shall have the power at any time to change the membership of any committee, to fill all vacancies, to designate alternate members to replace any absent or disqualified member or to dissolve any such committee.

ARTICLE V OFFICERS

Section 1. GENERAL PROVISIONS. The officers of the Corporation shall include a president, a secretary and a treasurer and may include a chairman of the board, a vice chairman of the board, a chief executive officer, one or more vice presidents, a chief operating officer, a chief financial officer, one or more assistant secretaries and one or more assistant treasurers. In addition, the Board of Directors may from time to time elect such other officers with such powers and duties as they shall deem necessary or desirable. The officers of the Corporation shall be elected annually by the Board of Directors, except that the chief executive officer or president may from time to time appoint one or more vice presidents, assistant secretaries and assistant treasurers or other officers. Each officer shall hold office until his or her successor is elected and qualifies or until his or her death, or his or her resignation or removal in the manner hereinafter provided. Any two or more offices except president and vice president may be held by the same person. In its discretion, the Board of Directors may leave unfilled any office except that of president, treasurer and secretary. Election of an officer or agent shall not of itself create contract rights between the Corporation and such officer or agent.

Section 2. REMOVAL AND RESIGNATION. Any officer or agent of the Corporation may be removed, with or without cause, by the Board of Directors if in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Any officer of the Corporation may resign at any time by giving written notice of his or her resignation to the Board of Directors, the chairman of the board, the president or the secretary. Any resignation shall take effect immediately upon its receipt or at such later time specified in the notice of resignation. The acceptance of a

resignation shall not be necessary to make it effective unless otherwise stated in the resignation. Such resignation shall be without prejudice to the contract rights, if any, of the Corporation.

Section 3. VACANCIES. A vacancy in any office may be filled by the Board of Directors for the balance of the term.

Section 4. CHIEF EXECUTIVE OFFICER. The Board of Directors may designate a chief executive officer. In the absence of such designation, the chairman of the board, or if there is none, the president, shall be the chief executive officer of the Corporation. The chief executive officer shall have general responsibility for implementation of the policies of the Corporation, as determined by the Board of Directors, and for the management of the business and affairs of the Corporation.

Section 5. CHIEF OPERATING OFFICER. The Board of Directors may designate a chief operating officer. The chief operating officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 6. CHIEF FINANCIAL OFFICER. The Board of Directors may designate a chief financial officer. The chief financial officer shall have the responsibilities and duties as set forth by the Board of Directors or the chief executive officer.

Section 7. CHAIRMAN OF THE BOARD. The Board of Directors shall designate a chairman of the board. The chairman of the board shall preside over the meetings of the Board of Directors and of the stockholders at which he shall be present. The chairman of the board shall perform such other duties as may be assigned to him or her by the Board of Directors.

Section 8. PRESIDENT. In the absence of a chief executive officer, the president shall in general supervise and control all of the business and affairs of the Corporation. In the absence of a designation of a chief operating officer by the Board of Directors, the president shall be the chief operating officer. He may execute any deed, mortgage, bond, contract or other instrument, except in cases where the execution thereof shall be expressly delegated by the Board of Directors or by these Bylaws to some other officer or agent of the Corporation or shall be required by law to be otherwise executed; and in general shall perform all duties incident to the office of president and such other duties as may be prescribed by the Board of Directors from time to time.

Section 9. VICE PRESIDENTS. In the absence of the president or in the event of a vacancy in such office, the vice president (or in the event there be more than one vice president, the vice presidents in the order designated at the time of their election or, in the absence of any designation, then in the order of their election) shall perform the duties of the president and when so acting shall have all the

powers of and be subject to all the restrictions upon the president; and shall perform such other duties as from time to time may be assigned to such vice president by the president or by the Board of Directors. The Board of Directors may designate one or more vice presidents as executive vice president or as vice president for particular areas of responsibility.

Section 10. SECRETARY. The secretary shall (a) keep the minutes of the proceedings of the stockholders, the Board of Directors and committees of the Board of Directors in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation; (d) keep a register of the post office address of each stockholder which shall be furnished to the secretary by such stockholder; (e) have general charge of the stock transfer books of the Corporation; and (f) in general perform such other duties as from time to time may be assigned to the secretary by the chief executive officer, the president or by the Board of Directors.

Section 11. TREASURER. The treasurer shall have the custody of the funds and securities of the Corporation and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. In the absence of a designation of a chief financial officer by the Board of Directors, the treasurer shall be the chief financial officer of the Corporation.

The treasurer shall disburse the funds of the Corporation and shall render to the president and Board of Directors, at the regular meetings of the Board of Directors or whenever it may so require, an account of all his or her actions as treasurer and of the financial condition of the Corporation.

If required by the Board of Directors, the treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his or her office and for the restoration to the Corporation, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, moneys and other property of whatever kind in his or her possession or under his or her control belonging to the Corporation.

Section 12. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The assistant secretaries and assistant treasurers, in general, shall perform such duties as shall be assigned to them by the secretary or treasurer, respectively, or by the president or the Board of Directors. The assistant treasurers shall, if required by the Board of Directors, give bonds for the faithful performance of their duties in such sums and with such surety or sureties as shall be satisfactory to the Board of Directors.

Section 13. SALARIES. The salaries and other compensation of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary or other compensation by reason of the fact that he is also a director.

ARTICLE VI
CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. CONTRACTS. The Board of Directors may authorize any officer or agent to execute and deliver any contract or other instrument in the name of and on behalf of the Corporation and such authority may be general or confined to specific instances. Any agreement, deed, mortgage, lease or other document shall be valid and binding upon the Board of Directors and upon the Corporation when authorized or ratified by action of the Board of Directors and executed by an authorized person.

Section 2. CHECKS AND DRAFTS. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or agent of the Corporation in such manner as shall from time to time be determined by the Board of Directors.

Section 3. DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may designate.

ARTICLE VII
STOCK

Section 1. CERTIFICATES. In the event that the Corporation issues shares of stock represented by certificates, such certificates shall be signed by the officers of the Corporation in the manner permitted by the MGCL and contain the statements and information required by the MGCL. In the event that the Corporation issues shares of stock without certificates, the Corporation shall provide to holders of such shares a written statement of the information required by the MGCL to be included on stock certificates.

Section 2. TRANSFERS. Upon surrender to the Corporation or the transfer agent of the Corporation of a stock certificate duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, the Corporation shall issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

The Corporation shall be entitled to treat the holder of record of any share of stock as the holder in fact thereof and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share or on the part of any other person,

whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of the State of Maryland.

Notwithstanding the foregoing, transfers of shares of any class of stock will be subject in all respects to the charter of the Corporation and all of the terms and conditions contained therein.

Section 3. REPLACEMENT CERTIFICATE. Any officer designated by the Board of Directors may direct a new certificate to be issued in place of any certificate previously issued by the Corporation alleged to have been lost, stolen or destroyed upon the making of an affidavit of that fact by the person claiming the certificate to be lost, stolen or destroyed. When authorizing the issuance of a new certificate, an officer designated by the Board of Directors may, in his or her discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or the owner's legal representative to advertise the same in such manner as he shall require and/or to give bond, with sufficient surety, to the Corporation to indemnify it against any loss or claim which may arise as a result of the issuance of a new certificate.

Section 4. CLOSING OF TRANSFER BOOKS OR FIXING OF RECORD DATE. The Board of Directors may set, in advance, a record date for the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or determining stockholders entitled to receive payment of any dividend or the allotment of any other rights, or in order to make a determination of stockholders for any other proper purpose. Such date, in any case, shall not be prior to the close of business on the day the record date is fixed and shall be not more than 90 days and, in the case of a meeting of stockholders, not less than ten days, before the date on which the meeting or particular action requiring such determination of stockholders of record is to be held or taken.

In lieu of fixing a record date, the Board of Directors may provide that the stock transfer books shall be closed for a stated period but not longer than 20 days. If the stock transfer books are closed for the purpose of determining stockholders entitled to notice of or to vote at a meeting of stockholders, such books shall be closed for at least ten days before the date of such meeting.

If no record date is fixed and the stock transfer books are not closed for the determination of stockholders, (a) the record date for the determination of stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day on which the notice of meeting is mailed or the 30th day before the meeting, whichever is the closer date to the meeting, and (b) the record date for the determination of stockholders entitled to receive payment of a dividend or an allotment of any other rights shall be the close of business on the day on which the resolution of the directors, declaring the dividend or allotment of rights, is adopted.

When a determination of stockholders entitled to vote at any meeting of stockholders has been made as provided in this section, such determination shall apply to any adjournment thereof, except when the determination has been made through the closing of the transfer books and the stated period of closing has expired, in which case a new record date shall be determined as set forth herein.

Section 5. STOCK LEDGER. The Corporation shall maintain at its principal office or at the office of its counsel, accountants or transfer agent, an original or duplicate share ledger containing the name and address of each stockholder and the number of shares of each class held by such stockholder.

Section 6. FRACTIONAL STOCK; ISSUANCE OF UNITS. The Board of Directors may authorize the Corporation to issue fractional stock or provide for the issuance of scrip, all on such terms and under such conditions as the Board may determine. Notwithstanding any other provision of the charter or these Bylaws, the Board of Directors may authorize the Corporation to issue units consisting of different securities of the Corporation. Any security issued in a unit shall have the same characteristics as any identical securities issued by the Corporation, except that the Board of Directors may provide that for a specified period securities of the Corporation issued in such unit may be transferred on the books of the Corporation only in such unit.

ARTICLE VIII ACCOUNTING YEAR

The Board of Directors shall have the power, from time to time, to fix the fiscal year of the Corporation by a duly adopted resolution.

ARTICLE IX DISTRIBUTIONS

Section 1. AUTHORIZATION. Dividends and other distributions upon the stock of the Corporation may be authorized by the Board of Directors, subject to the provisions of law and the charter of the Corporation. Dividends and other distributions may be paid in cash, property or stock of the Corporation, subject to the provisions of law and the charter.

Section 2. CONTINGENCIES. Before payment of any dividends or other distributions, there may be set aside out of any assets of the Corporation available for dividends or other distributions such sum or sums as the Board of Directors may from time to time, in its absolute discretion, think proper as a reserve fund for contingencies, for equalizing dividends or other distributions, for repairing or maintaining any property of the Corporation or for such other purpose as the Board of Directors shall determine to be in the best interest of the Corporation, and the Board of Directors may modify or abolish any such reserve.

ARTICLE X
SEAL

Section 1. SEAL. The Board of Directors may authorize the adoption of a seal by the Corporation. The seal shall contain the name of the Corporation and the year of its incorporation and the words "Incorporated Maryland." The Board of Directors may authorize one or more duplicate seals and provide for the custody thereof.

Section 2. AFFIXING SEAL. Whenever the Corporation is permitted or required to affix its seal to a document, it shall be sufficient to meet the requirements of any law, rule or regulation relating to a seal to place the word "(SEAL)" adjacent to the signature of the person authorized to execute the document on behalf of the Corporation.

ARTICLE XI
INDEMNIFICATION AND ADVANCE OF EXPENSES

SECTION 1. Each person who was or is made a party or is threatened to be made a party to or is involved in or called as a witness in any action, suit or proceeding, whether civil, criminal, administrative or investigative, and any appeal therefrom (hereinafter, collectively a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is, was or had agreed to become a director of the Corporation or is, was or had agreed to become an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, shall be indemnified and held harmless by the Corporation to the fullest extent permitted under the Maryland General Corporation Law (the "MGCL"), as the same now exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the MGCL permitted the Corporation to provide prior to such amendment), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties pursuant to the Employee Retirement Income Security Act of 1974, as amended, and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith; PROVIDED, that except as explicitly provided herein, prior to a Change in Control, as defined herein, a person seeking indemnity in connection with a proceeding (or part thereof) initiated by such person against the Corporation or any director, officer, employee or agent of the Corporation shall not be entitled thereto unless the Corporation has joined in or consented to such proceeding (or part thereof). For purposes of this Article, a "Change in Control of the Corporation" shall be deemed to have occurred if (a) any Person, other than Sara Lee, is or becomes (except in a transaction approved in advance by the Board of Directors of the Corporation) the beneficial owner (as defined in Rule 13d-3 under such Act), directly or indirectly, of securities of the Corporation representing 25% or more of the combined voting power of the Corporation's then outstanding securities or (b) during any period of two consecutive years, individuals who at the beginning of such period constitute the Board of Directors of the Corporation cease for any reason to constitute at least a majority thereof unless the

election of each director who was not a director at the beginning of the period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the period.

SECTION 2. Any indemnification under this Article XI (unless ordered by a court) shall be paid by the Corporation within 60 days of such request for indemnification unless prior to such time a determination is made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such proceeding, (b) if such quorum is not obtainable, or even if obtainable a quorum of disinterested directors so directs, by independent legal counsel (who may be the regular counsel to the Corporation) in a written opinion or (c) by the stockholders, by the affirmative vote of a majority of the votes cast on such matter (not including shares held by persons who are parties to the proceeding), that indemnification of such person is not proper under the circumstances because such person has not met the necessary standard of conduct under Maryland law; PROVIDED, HOWEVER, that following a Change in Control of the Corporation, with respect to all matters thereafter arising out of acts, omissions or events prior to the Change in Control concerning the rights of any person seeking indemnification under this Section 2, such determination shall be made by special independent counsel selected by such person and approved by the Corporation (which approval shall not be unreasonably withheld), which counsel has not otherwise performed services (other than in connection with similar matters) within the five years preceding its engagement to render such opinion for such person or for the Corporation or any affiliates (as such term is defined in Rule 405 under the Securities Act of 1933, as amended) of the Corporation (whether or not they were affiliates when services were so performed) ("Independent Counsel"). Unless such person has theretofore selected Independent Counsel pursuant to this Section 2 and such Independent Counsel has been approved by the Corporation, legal counsel approved by a resolution or resolutions of the Board of Directors prior to a Change in Control shall be deemed to have been approved by the Corporation as required. Such Independent Counsel shall determine as promptly as practicable whether and to what extent such person would be permitted to be indemnified under applicable law and shall render its written opinion to the Corporation and such person to such effect. The Corporation shall pay the reasonable fees of the Independent Counsel referred to above and shall fully indemnify such Independent Counsel against any and all expenses, claims, liabilities and damages arising out of or relating to this Article or its engagement pursuant hereto.

SECTION 3. EXPENSES. Expenses, including attorneys' fees, incurred by a person referred to in this Article XI in defending or otherwise being involved in a proceeding shall be paid by the Corporation in advance of the final disposition of such proceeding, including any appeal therefrom, and without requiring a preliminary determination of the ultimate entitlement to indemnification, upon receipt of a written affirmation by such person of his or her good faith belief that such person has met the standard of conduct necessary for indemnification and an undertaking (the "Undertaking") by or on behalf of such person to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Corporation.

SECTION 4. RIGHT OF CLAIMANT TO BRING SUIT. If a claim under Section 1 hereof is not paid in full by the Corporation within 60 days after a written claim has been received by the Corporation or if expenses pursuant to Section 3 of this Article XI have not been advanced within 10 days after a written request for such advancement accompanied by the Undertaking has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim or the advancement of expenses. If the claimant is successful, in whole or in part, in such suit or any other suit to enforce a right for expenses or indemnification against the Corporation or any other party under any other agreement, such claimant shall also be entitled to be paid the reasonable expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required Undertaking has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the MGCL for the Corporation to indemnify the claimant for the amount claimed. After a Change in Control, the burden of proving such defense shall be on the Corporation, and any determination by the Corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant had not met the applicable standard of conduct required under the MGCL shall not be a defense to the action nor create a presumption that claimant had not met such applicable standard of conduct.

SECTION 5. NON-EXCLUSIVITY OF RIGHTS. The rights conferred on any person by this Article shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the charter, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise. The Board of Directors shall have the authority, by resolution, to provide for such other indemnification of directors, officers, employees or agents of the Corporation, or any predecessor of the Corporation, as it shall deem appropriate.

SECTION 6. INSURANCE. The Corporation may purchase and maintain insurance to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expenses, liabilities or losses, whether or not the Corporation would have the power to indemnify such person against such expenses, liabilities or losses under the MGCL.

SECTION 7. ENFORCEABILITY. The provisions of this Article shall be applicable to all proceedings commenced after its adoption, whether such arise out of events, acts, omissions or circumstances which occurred or existed prior or subsequent to such adoption, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person. This Article shall be deemed to grant each person who, at any time that this Article is in effect, serves or agrees to serve in any capacity which entitles him to indemnification hereunder rights against the Corporation to enforce the provisions of this Article, and any repeal or other modification of this Article or any repeal or modification of the MGCL or any other applicable law shall not limit any rights of indemnification then existing or arising out of events, acts, omissions, circumstances occurring or existing prior to such

repeal or modification, including, without limitation, the right to indemnification for proceedings commenced after such repeal or modification to enforce this Article with regard to acts, omissions, events or circumstances occurring or existing prior to such repeal or modification.

SECTION 8. SEVERABILITY. If this Article or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify each director and officer of the Corporation as to costs, charges and expenses (including attorneys' fees), judgments, fines and amounts paid in settlement with respect to any proceeding, whether civil, criminal, administrative or investigative, including an action by or in the right of the Corporation, to the full extent permitted by any applicable portion of this Article that shall not have been invalidated and to the full extent permitted by applicable law.

ARTICLE XII
WAIVER OF NOTICE

Whenever any notice is required to be given pursuant to the charter of the Corporation or these Bylaws or pursuant to applicable law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Neither the business to be transacted at nor the purpose of any meeting need be set forth in the waiver of notice, unless specifically required by statute. The attendance of any person at any meeting shall constitute a waiver of notice of such meeting, except where such person attends a meeting for the express purpose of objecting to the transaction of any business on the ground that the meeting is not lawfully called or convened.

ARTICLE XIII
AMENDMENT OF BYLAWS

The Board of Directors shall have the exclusive power to adopt, alter or repeal any provision of these Bylaws and to make new Bylaws.

Subsidiaries of the Registrant

Name - - - - -	Jurisdiction of Incorporation/Organization -----
1. Coach Stores Puerto Rico, Inc.	Delaware
2. Coach Leatherware Int'l, Inc. (Del.) P.R. 936 Company	Delaware
3. Coach Europe Services S.r.l.	Italy
4. Coach Firenze S.r.l.	Italy
5. Coach U.K. Ltd.	United Kingdom

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report (and to all references to our Firm) included in or made a part of this registration statement.

/s/ Arthur Andersen LLP
Arthur Andersen LLP

Chicago, Illinois
June 16, 2000

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED AND COMBINED STATEMENT OF INCOME AND CONSOLIDATED AND COMBINED BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	9-MOS		APR-01-2000	
	JUL-03-1999		JUL-04-1999	
	JUN-28-1998		APR-01-2000	
	JUL-03-1999		APR-01-2000	
		148		164
	0		0	
	17,937		27,941	
	6,119		5,242	
	101,395		100,642	
	126,620		133,698	
		181,581		176,172
	120,430		111,526	
	282,088		326,715	
	74,935		87,311	
		3,991		3,908
	0		0	
		0		0
		0		0
	203,162		235,496	
282,088		326,715		
	507,781		427,232	
		507,781		427,232
	507,781		427,232	
		226,190		173,199
	488,306		379,598	
	0		0	
	(171)		1,916	
	441		317	
	19,061		47,343	
	2,346		15,174	
	16,715		32,169	
	0		0	
	0		0	
		0		0
	16,715		32,169	
	0		0	
	0		0	